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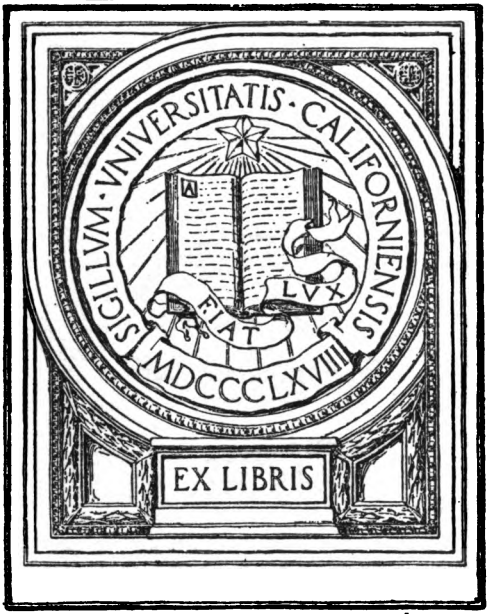

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THE

Trust Movement in Australia.

With Appendix containing

Anti-Trust Legislation

in Australasia, South Africa and America.

By

H. L. WILKINSON,

M.C.E., Melbourne University.

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1914.

CRITCHLEY PARKER Pty. Ltd.

Mining Standard,

MELBOURNE SYDNEY LONDON.

Price, 5s. nett.

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PREFACE.

This book has been written without any literary pretensions, but solely in the endeavour to place before its readers some information as to the extent to which Trusts, Industrial Combinations, and Trade Associations have been established in the Commonwealth of Australia. It is hoped that the facts outlined in the following chapters will serve as a basis on which a full and detailed inquiry can be made into the different phases of the Trust Movement. It is only on the information gained from such an inquiry that legislation dealing with this question can be designed.

Hitherto opinions have been formed; laws against Trusts have been passed; actions in the courts have been taken under these laws; individuals and combinations of individuals have been convicted and fined; but no attempt has been made to determine what in the Trust Movement is the inevitable result of the evolution of industry, and little discrimination has been shown between what is beneficial, and what is detrimental in combinations in restraint of trade.

Furthermore, it is possible that the opinions expressed in the concluding chapters will be of service to those desirous of coming to a determination, as to whether industry in the future will evolve on a competitive basis, or whether concentration of control and monopoly are to be the conclusion of the struggle for existence. On the settlement of this question depends the principle on which all industrial legislation in the future must be based.

To others reading this work, there may be some information which will illustrate how easy it is for those who have established a monopolistic control in some department of supply, to become extremely wealthy, and to obtain power

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of control over the lives of many of their employees. Competition amongst all others prevents anything more than what is actually earned (either by capital or by labour) being acquired, and where the competition is keener, less than what is actually earned is the reward for labour.

It is hoped that those reading this contribution will appreciate the extreme difficulties in getting reliable information about many of the questions that are discussed; and it is further hoped that all omissions, inaccuracies, and shortcomings will be excused by the fact, that everything in connection with the work has had to be performed whilst the writer was engaged in an occupation in no way connected with any of the questions dealt with. As, however, the University of Melbourne awarded the Harbison-Higinbotham Scholarship to this as a treatise on economics, one is encouraged to believe that its publication is justified.

In conclusion, the writer desires to express his sincere thanks for the great assistance rendered by many friends. To mention the names of all would be quite impossible; to mention the names of some would be ungrateful to others equally deserving of his gratitude.

H. L. WILKINSON.

360 Collins-street,
Melbourne,
June 1, 1914.

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THE TRUST MOVEMENT IN AUSTRALIA.

CHAPTER I.

General Consideration of the Trust Movement.

The Efficiency of Labour and the Price of Commodities. The Trust Movement in Australia.

It is one of the greatest anomalies of modern civilisation that, notwithstanding the costs of production have been greatly reduced, the price of commodities generally has appreciably advanced. Bread is dearer; but the advent of the stripper harvester and multiple-shear and stump-jump plough has reduced the cost of wheat-growing to a quarter of what it was; superphosphates and dry-farming and irrigation have made deserts fit for argriculture. Dairy products are more expensive, notwithstanding the modern separator and milking machine; meat has increased in price, yet everything has contributed to a decrease in the cost of production; sugar and salt and many other commodities in general use have risen greatly in price, despite the improvements in factory efficiency. Rents are higher, and a house now costs half as much again to build, and yet saw mills and brick yards are more economically worked. The modern steamships can carry cargo and passengers far more cheaply than formerly, yet rates for freights, and fares are little lower, whilst in some cases they have been increased.

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In nearly every manufactured necessary and luxury of life there has been, particularly during the past few years, an increase in price to the consumer in spite of the introduction of better machinery and the wonderful inventions of processes which have made the artisan infinitely more efficient. Natural resources of the world, originally valueless, are being exploited and made productive, where under the previously inefficient methods they were unworkable.

Better organisation, specialisation, education, readiness to tend complex machinery and the vigour due to better food have compensated in improved adaptability for any loss caused by the decrease in the length of the working day.

The mere increase in prices of commodities would mean little in itself, if the living conditions of the people had improved proportionately with the increase of efficiency in production. But it must be admitted,—and it is admitted on all sides—that the great mass of the workers, the unskilled labourer, the artisan and lower paid employees generally, have not received improved conditions proportionate, or anything like proportionate, to the increase in the efficiency in production.

The increases in the efficiency of labour and industry and the contemporary general increase in the prices of commodities are phenomena obtaining in every country, affecting every people, and almost every commodity brought in contact with international trade and money movements. But more particularly in the highly industrialised countries is the anomaly apparent, for there the increase in the efficiency of labour has been greatest and the rise in prices (speaking generally) highest. Only in remote countries and communities where there has been no change in methods of production have living prices remained stationary.

The following are generally enumerated as causes for the anomaly of a general increase in the prices of commodities co-incident with a decrease in the cost of production by reason of greater efficiency:—

(1) The increase in the gold yield and gold stocks, and the consequent decrease in the value of the price standard and the automatic increase in the relative and apparent price of every other commodity.

(2) The increase in the use and amount of credit or fictitious gold reserves, and the increase in the velocity of exchange.

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(3) The large amount of labour employed in providing permanent improvements and increasing the capital possessions of the State and the individual.

(4) Increased expenditure in providing for defence, withdrawing more and more labour from the production of goods for consumption.

(5) Improvement in the standard of living in all classes and the great increase in the amount of labour employed in providing luxuries, particularly for the richer classes.

(6) The holding of larger stocks and reserves, and the desire for all those owning supplies to create a demand rather than satisfy it.

(7) The Trust Movement.

All the above play their part in producing the anomaly, and constitute causes why there has not been an improvement in the condition of the bulk of the people commensurate with the increase in the efficiency of labour.

Considering the above causes seriatum, it is probable that the increase in the gold yield and the increase in the use of credit benefit the world as a whole, and their effect on prices generally is not real, or is, at any rate, only temporary.

The making of permanent improvements and increasing the capital value of the world as a place to live in, absorbs a large part of the increased efficiency of labour. The people of to-morrow will benefit by the labour of the people of to-day, but the wealthy few, rather than the labouring many, own and derive income from most of this improvement.

It is only in the improvement in the standard of living of the mass of the people, and the shorter hours of labour, that workers generally have obtained any betterment through this increased efficiency. But this improvement amounts to little; the majority of the people are very little better off than formerly, and the bulk of people in civilised communities die penniless. Possibly life has been prolonged, but in most cases people can only live for a few days without work, and the quantity of food and clothing used is not greatly in excess of what was used formerly.

There is little doubt but that the desire of all those owning and controlling supplies to withhold them in order to create a greater demand has an important effect on prices. The great increase in reserves of stocks has been undertaken with the avowed object of preventing prices from

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varying proportionately with increase in efficiency of production.

The Trust Movement, whilst increasing the economies of production and distribution through the elimination of competition, has been responsible for far greater profits being taken by the owners and controllers of the industries involved in it, than would have been the case if there had been no restraint of competition. In Australia, in several services the addition in prices of commodiites due to a Trust taking control has been very appreciable. On the other hand much wasteful competition has been eliminated, and combinations and agreements have led to improved efficiency and a reduced cost of production.

The "Trust Movement," or the tendency of a few associated individuals to create a monopoly or otherwise control supply in a branch of industry, is one of the most important factors in the evolution of the economic and commercial world. The high state of civilisation and industrial development in Australia, its sparse population and isolation, and the centralisation of industrial and financial control in a few capital cities have made this a most satisfactory country in which to study this modern industrial movement.

Just as Industry and Commerce are dependent on "the law" and respect for "the law," so the "Trust Movement," being a phase of industry, is dependent on it, and is largely maintained by it. A Trust having a monopoly or monopolistic control of trade within a State, is dependent on "the law" of that State, but a Trust, having a world-wide monopoly is virtually able to evade the laws of any particular country. In such a case the community acting as a nation is no more powerful than an individual, and unanimity on the part of all the Governments of the world to institute a law against a world wide monopoly is unthinkable.

In Australia, whilst the Trust Movement (in its broadest sense) has evidenced itself for years, it is only since about 1900 that monopolistic trading organisations have taken considerable part in the industrial development of the country.

It is only since this year that companies and associations have deliberately restrained trade, and combinations have shown sufficient stability to control prices with any degree of steadiness. It is still more recently that the operations of these trading concerns have really been the subject of public inquiry, legislation, and concern.

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Since trading began in Australia there have been trade agreements for the protection of those in a particular trade. Until recent years, however, this protection was for the purpose of insuring a reasonable and just return for the labour and capital employed in the industry, rather than for the purpose of exploiting the general public by a preconceived and permanent control of prices and by preventing others from entering the trade.

It is not proposed to deal with this phase of the Trust Movement in this work, except incidentally. The ramification of trade understandings and agreements of a temporary nature and for the protection of the particular trade against unfair and unreasonable conditions are too extensive and transient in character.

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CHAPTER 2.

The Development of Trade Agreements and Trusts.

Trade Agreements.
Private Trust Controlled Monopolies.
Legalised Private Monopolies.

The Trust Movement generally has included in it: Trade Agreements, Private Trust Controlled Monopolies, and Legalised Private Monopolies. These three phases of the Trust Movement have resulted from three very divergent sets of conditions, and whilst monopoly of trade is aimed at in each case, yet the nature of the monopolising organisation is different both in its constitution and effects.

Trade Agreements.

A monopoly, or secure control of the supply of a commodity or service, may be obtained by agreement between a number of separate and originally competing suppliers, and may have one or more of the following objects:—

(a) The fixing of a uniform selling price.
(b) The parcelling out of various trades, each party to the agreement being independent within the area which is reserved to him.
(c) The fixing of uniform buying rates for labour or raw products or the parcelling out of areas in which there shall be no competition, in such buying, each party to the agreement being independent within his area.
(d) The fixing of standards of quality.
(e) The supply of labour and the conditions under which members of a trades union will work.

These Trade agreements exist in all countries and have been in force at all stages of history. Save in very few instances and for very short periods, such monopolies have rarely been absolute. Generally speaking, the trade agreement is more in the nature of a protection against unfair and unreasonable competition between the members of the trade, or for the purpose of taking concerted action against

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unreasonable relations with other sections of the community who are supplying labour, transport service or raw materials.

In so far as they avoid wasteful competition, or do not fix prices unreasonably high and restrain trade, such agreements are desirable and almost essential in a civilised community. And in so far as they prevent or militate against an absolute monopoly by a single individual or organisation working as a Trust they are perhaps also beneficial. But in cases where there is no economy due to avoidance of wasteful competition and duplication of services and organisations, but merely an agreement to detrimentally affect prices as far as the community is concerned, trade agreements are not in the interests of the people as a whole. All the worst features of a monopolising Trust are maintained, whilst none of the increase in efficiency is obtained.

Australia being a small and isolated community has been and is particularly subject to these trade agreements, which have also been assisted by intense centralisation of business in a few capital cities.

Apart from the individual Trusts and Combines dealt with in detail in this work, most of the Trades and industries (apart from those connected with primary production) have been organised into associations which decide on rules of conduct, fix prices to a certain extent, and prevent what might be termed a "cut throat competition." The members of the association are not, however, bound by any binding agreement. In most cases also the whole of those engaged in the industry are not members of the association.

The smallness of the population of Australia and its centralisation in a few large cities have encouraged combinations in other directions. Doctors of medicine do not openly compete, and are organised against friendly societies. The legal profession has its recognised scale of fees. The land surveyor has his monopoly guaranteed him by regulations instituted in the interests of land surveyors. The banks meet and fix the rates of exchange and interest. Commission agents have fixed commission charges that are agreed on amongst themselves. Brokers form a stock exchange and virtually create a monopoly in the exchange of shares.

Probably nowhere in the world has Trade Unionism or agreements between workers obtained so strong a monopoly as in the supply of labour. The most striking instances of this

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competition becomes keen and the less efficient are crushed and ruined—a monopoly is obtained by the survivors, who form a Trust or Combine to control prices. This is certainly a survival of the fittest, but money gives the fitness; it is not necessarily a survival of the best men; it is almost invariably a survival of those having the greatest financial resources. The surviving business may be owned by the mentally and physically unfit descendants of wealthy predecessors, whilst the crushed business may have been owned by the most highly capable and intellectual in the community; the latter are ruined, their only means of earning a livelihood is to seek employment under those who crushed them. It is in this respect perhaps more than in the charging of exorbitant prices that the formation of Trusts or close combines is detrimental to a country and its people. Possibly a wasteful competition would entail just as high prices as the exorbitant profits of a trust would, but it would require much to compensate for the elimination of opportunity for those of merit engaged in an industry. If a close combine or a monopoly is formed, those employed become dependent on the charity and good feeling of those owning the industry in question rather than on their own relatively superior ability, individual personal resources and conscientiousness in work. These qualities only make for the additional profit of the owners and controllers of the industry if monopolised, and consequently will not be developed to the full.

Looked at from the point of view of a combination and monopoly in trade being merely another step in the evolution of industry, it must be recognised that the creation of a private monopoly is a forward movement towards a greater efficiency obtained by the elimination of wasteful competition, and by improved organisation, both of which are made possible by a specialisation only obtainable in large industrial undertakings. If these advantages outweigh the loss to the community by the elimination of competitive effort on the part of those employed, and excessive prices can be regulated by State control, then the Trust Movement has resulted in a distinct gain to the community.

Legalised Private Monopolies.

A monopoly may be given by a Government or public authority either for the purpose of providing for the supply of a public want, or for a monetary consideration. Such monopolies as are involved in private gas and

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electric light power, water supply, tramway or railway undertakings, are of this nature. They are directly and deliberately created by the public authority, and are given in most cases conditionally, and with restrictions as to prices charged, length of term, maintenance of service, etc. Assuming a strict morality on the part of delegates of the people in granting the monopoly, such a monopoly is in the nature of a contract between the public and the private individual, and should be of mutual benefit if proper safeguards are made for future changes in conditions.

It is generally the case that monopolies of this nature are created in the supply of services in which competition is impracticable because of the very nature of the undertakings. A duplication of plant is in some cases impossible (*e.g.*, a street tramway), or in other cases absurdly uneconomic (*e.g.*, a duplicate service for water, gas or electric supply). A patent for an invention is virtually a monopoly granted by a Government for a term of years. Such legalised private monopoly is of entirely different genesis, and has a different objective to others embraced in the "Trust Movement."

Summary.

An investigation of the various industrial and trading organisations in the Commonwealth of Australia is of essential importance before any active steps towards State regulated control are undertaken. It will be shown in succeeding chapters that in Australia the whole of the sea-borne Interstate carrying trade is in the hands of seven shipping companies forming a combine. In sugar refining one company monopolises the refining industry and fixes the selling price of sugar at a maximum, and the price paid for cane at a minimum. Tobacco is in a similar position; all the large importers and manufacturers have combined, and there is no room for the enterprise of anyone else, no employee has an opportunity of starting a business of his own. A large part of the coal trade of Australia is controlled by a ring. In a more restricted area, industries such as timber, lime, bricks, flour, chemicals, manures, jams and many other of the necessities of life have come under the control of a few wealthy and influential companies and individuals; and by the methods that have been adopted they regulate prices and prevent others entering into the trade.

In the following chapters an endeavour has been made to enumerate and describe the various industrial agreements and trusts that have established monopolies or virtual mono-

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polies in Australia. To ascertain if any excessive profits are made, an endeavour has also been made to analyse the financial position of the various business organisations playing a part in this Trust movement. If an excessive amount of profit is being made by these organisations, which are combined in restraint of trade, a measure of the extent to which they have abused their power is immediately obtained. Excessive profit is *prima facie* evidence of restraint in trade.

By giving also the practical economic advantages and disadvantages to Australia as a result of the Trust movement, and by drawing conclusions from the nature of the movement in other countries (and the steps taken to control it), it is hoped an indication can be given as to the best steps to be taken in Australia to maintain what is good and to prevent what is bad, in this phase of the evolution of industry. That these steps should be taken as a result of open inquiry and not the result of preconceived ideas prompted by class prejudices or political party animosities, will be patent after inquiry into the principal trusts and combines which have been established in Australia.

The following chapters will also be of interest in illustrating the various means whereby monopoly control is formed and maintained by private organisations. Thus the Colonial Sugar Refining Company is an example of a single organisation, which through controlling a branch of the sugar industry, has obtained a monopoly of the trade, and fixes the price of sugar. The Tobacco Trust is a case where allied companies own all the stock in several companies which control the trade, and is therefore an example of that form of trust control, by "holding" companies so common in America. The Shipping Combine is of an entirely different nature; its power to monopolise will be shown to be the result of an agreement between seven companies, each entirely independent, and with few, if any, shareholders holding interests in more than one company.

Then follow examples of various combinations of individuals and companies, all independent, but bound together through a membership of an association, which fixes prices and conduct for business on a common basis, and without a competition that would be at all destructive to any of the member's interests.

To complete the list of monopolised industries and services, examples are also given of legalised or authorised monopolies which have been given rights by the people deliberately.

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CHAPTER 3.

The Australian Sugar Monopoly.

(*a*) *The Sugar Cane Grower and Employees.*
(*b*) *The Colonial Sugar Refining Company.*

The Sugar industry of the Commonwealth was initiated in Queensland in 1862, and the area under cane and the amount of cane produced in Australia has increased as follows:—

Year.	acres.	Year.	Yield, tons.	Area, acres.	Yield per acre, tons.
1875-6	19,913	1903-4	1,351,386	131,698	14.86
1885-6	75,603	1905-6	1,617,743	155,912	15.20
1895-6	110,174	1907-8	1,942,418	144,763	18.62
1900-1	130,649	1908-9	1,578,075	140,883	15.92
1901-2	132,840	1909-10	1,294,650	142,261	14.53
		1910-11	2,609,759	155,542	19.95
		1911-12	1,632,250	144,283	16.25
		1912-13	2,200,000	155,567	14.3

The following figures issued by the Commonwealth Bureau of Statistics shows the varying amounts of Crude Sugar produced in and imported into Australia during the past five years:—

	1908, tons.	1909, tons.	1910, tons.	1911, tons.	1912, tons.	1913, tons.
Crude sugar produced	166,094	149,394	230,871	190,595	129,877	262,837
Crude sugar imported.	19,552	99,698	34,008	33,275	98,480	—

From these figures it will be seen that notwithstanding an import duty of £6 per ton, in some years a third of the total consumption is imported.

The principal operations involved in the production of sugar are:—

(1) Cane growing in Northern New South Wales and Queensland.

(2) Crushing the cane in mills distributed amongst the cane fields with the resultant production of raw sugar and molasses.

(3) Refining the raw sugar in refineries in the principal capital cities in the Commonwealth.

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The Sugar Cane Grower.

The sugar plantation in Queensland, unlike those in other countries, is generally small, and averages only 23 acres in area. Larger plantations of from 50 to 200 acres are, however, frequently met with, but there are only two plantations that have their own crushing plants.

To assist in the development of the industry the Queensland Government allowed the recruiting of Kanakas from the South Sea Islands. These men provided a cheap, though undesirable, labour supply, and were the means of helping to initiate the industry. On the initiation of the White Australia policy, a bonus of £3 per ton was granted by the Commonwealth Parliament on all sugar produced by white labour. In 1913, as the bonus had served its purpose, both it and the excise duty of £4 per ton were abolished, the State of Queensland having undertaken to see that proper labour conditions were observed.

During 1909-1910 the condition of the Sugar Industry was very bad as far as the growers are concerned, and as a result, a petition was received by the Federal Parliament on the 21st October, 1909, setting out the deleterious effect of the low prices paid for cane.

The petition said:—

"1. That the profits of the industry are being almost entirely secured by the manufacturers and refiners of sugar.

"2. That the price paid for cane is insufficient to enable the cane-grower to carry out the required labour conditions and at the same time secure an adequate return for his own labour and outlay.

"3. That from the same cause, the cane-grower is compelled to neglect the proper cultivation of his soil, and as a consequence an alarming deterioration is taking place in the whole of the sugar lands of the Commonwealth, which must in course of time develop into national disaster."

The growers of cane are subject necessarily to great variations in yield on account of varying climatic conditions. This cannot be avoided. The industry is highly protected, yet, generally speaking, cane growing cannot be considered a very profitable industry. The grower is forced by labour regulations and union demands to pay increased rates of wages to his employees, yet it is absolutely impossible for him to "pass on" this increased cost of production, as the price given for his cane is fixed by an extraneous independent authority, viz., the Sugar Refinery Co., which determines the price that will be given for crude sugar.

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The prosperity and profitable working of the cane plantations has little to do with the prices fixed; all that it is necessary to do, in fixing the price, being to insure that the sugar plantations are still kept under cultivation.

The report of the Royal Commission on the Sugar Industry, 1911, contains the following passages in relation to the profits of growers:—

"The refiners dictate prices to the millers; the millers dictate prices to the growers. Such dictation is not necessarily inconsistent with a reasonable distribution of profits, presuming the refiners and millers exercise the power, which they possess, subject to the injunction to love one's neighbour as oneself. A priori, an expectation that such an injunction would be observed in the conduct of business concerns would imply a more sanguine view of human nature than can be claimed by your Commissioners.

"While the millers and refiners make handsome profits, the profits of the growers are quite inadequate. A proportion of the growers, as growers, do well. . . But growers as a class do not, in our opinion, receive their fair share of the profits of the industry as a whole. Nor do they receive that adequate return on their capital outlay which it should be one object of a protective system to insure. "We hang on in the hope of better things' expresses the prevailing attitude."

The Cane Crushing Mills.

Broadly speaking, the crushing mills distributed through the cane fields can be divided into two classes:—

(1) Those owned or controlled by the Colonial Sugar Refining Company, and a few dependent private firms working in conjunction with and on sufferance of this company.

(2) The Co-operative Mills established by the growers with the assistance of the Queensland Government.

In 1886 there were 64 mills in New South Wales and 118 in Queensland; in 1911 there were only 4 in the former State and 49 in the latter. The explanation is simple.

In 1886 there were many growers who crushed their own cane and sold the raw sugar to the competing refineries. Gradually, however, the large refineries and subsidised co-operative companies began to acquire mills, and build establishments which were much larger and more efficient. By not giving reasonable prices for raw sugar produced in the growers' mills, the refineries soon forced the grower to give up crushing his own cane. The co-operative cane-

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crushing companies were alone strong enough to stand against this action of the refineries, but even they are dependent on the Colonial Sugar Refining Company to buy the raw sugar at prices which this company shall dictate.

The elimination of the small crushing mill and the decrease in the number of the crushing plants have, by virtue of the cost of transport given each crushing mill a monopoly in the purchase of cane within its vicinity, and the result is that the sugar cane grower has only one buyer—the mill of the particular zone in which his plantation lies. This crushing mill can, and does, fix the price to be paid to the grower, makes its own analysis of the sugar contents, and may refuse to take the cane at all. The grower has, therefore, to take the price fixed, has to accept the analysis made, and the conditions imposed by the mills; if he does not, there is no alternative but to burn his cane, for there is no other mill to take it.

At the present time the Colonial Sugar Refining Company owns one-third of the cane crushing mills in Australia, and they are necessarily worked by and for the benefit of the company.

The Co-operative or Central Mills have still retained a measure of independence of the refineries and generally pay better prices to the growers for cane. In support of this contention, the following figures have been quoted in debates of the Federal Parliament:—

Crushing Mill.		Average price paid per ton of cane.
Proserpine Central	Co-operative Cane Crushing Mills.	12/7½
Gin Gin Central		11/7
Nerang River Central		10/-
Mulgrave Central		16/8
Iss Central		13/-
Mossman Central		17/3
Racecourse Central		14/-
Colonial Sugar Refining Co.'s Mills		11/-

On the other hand the Colonial Sugar Refining Company, in a statement given to the Royal Commission, quote the following figures:—

	Cost of Cane, per ton.
Colonial Sugar Refining Co.'s Mills for 1901-1910	15/4¼
Central Mills	14/11¾

To avoid any possibility of competition through the establishment of new mills, or transfer of business to other cane-crushing plants, a preferential price is paid to those

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who agree to sell, for some years ahead, the whole of their production. The following is the text of such an agreement:—

"1. The farmer, for himself, his heirs, executors, administrators, and assigns, agrees to sell to the mill-owners the whole of the sugar cane grown on the hereinbefore mentioned lands, during the period of five years, ending with and including the crushing in the year 1915.

"2. The price to be paid by the mill-owners to the farmer for sugar-cane shall be as follows:—The sum of 16s. 6d. per ton when raw sugar is at £12 per ton loaded on trucks, with one penny rise or fall for every shilling increase or decrease in the price of sugar above or below the said sum of £12 per ton.

"3. Subject as hereinafter mentioned, the price of raw sugar as set forth in paragraph 2 hereof shall be regulated by the price paid by the Colonial Sugar Refining Company Limited for the time being for 94 net titre sugar, and payment shall be made by the Mill-owners aforesaid, at the time and in manner following (that is to say).

"4. The price hereinbefore mentioned shall be subject to such deductions as may be made by the Colonial Sugar Refining Company Limited, by reason of over-production or otherwise.

"5. The farmer agrees to supply the cane to the Mill-owners in the manner and subject to the conditions upon which cane is usually supplied to and received at the mills and in such quantities and at such times as may be required by the Mill-owners."

In this particular case the crushing mill was paying 18s. 11d. to those who signed this agreement, but only 13s. per ton was paid to 39 other growers who refused to sign.

Labour Employed.

The conditions of Labour on the cane fields of Queensland have been the subject of much interest and much enquiry. It is recognised that owing to the climatic conditions and nature of cane growing and cutting, the work is very arduous, particularly for white men. In fact, Queensland is the only country in the world where white labour is employed for this class of work, and there were many predictions that it would be impossible to successfully grow cane without the use of black labour. Fortunately, these predictions were not fulfilled, though the conditions of labour are not in any way commensurate with the profits made in other branches of the Sugar Industry.

The Royal Commission on the Sugar Industry reported in 1911 that:—

"The minimum wage paid for field workers other than cane cutters ranges from 22s. 6d. in the off season, to from 25s. to 30s. in the crushing season, per week and found; and the regular working hours range from 54 to 57 hours, including

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time going to and returning from the fields. The wages of mill employees (unskilled labourers) range from 27s. 6d. (with a bonus of 2s. 6d. for those who remain to the end of the crushing season) to 30s. per week and keep. Since August, 1911, 30s. per week and found is the recognised standard wage for ordinary mill employees."

"Cane is cut, except in very rare instances, on the butty gang system, the men electing their own ganger and dividing the total earnings according to the number of days each man has worked. The earnings of those employed as cutters on this system range from 8s. to 20s. per day. Evidence goes to show that in some odd cases gangs have earned as much as 24s. per man per day by working exceptionally long hours on exceptionally good crops. The average earnings of an average gang working ten hours per day on an average crop may be fixed at, say, from 13s. to 14s. per day. The men find themselves."

The evidence given before the Commission went to show that it was only by unreasonable and unhealthy over-work that over 8s. to 10s. per day was earned. The Commission further states:—

"If white labour is to continue to be obtainable in anything like satisfactory quality it must be more adequately rewarded than it has hitherto been. In the past and up to 5th August, 1911, wages in all branches of the industry were undoubtedly too low. They are still too low in the sugar mills of Queensland and New South Wales."

"In each of these divisions and subdivisions (the field, raw sugar mill and refineries), except the cane cutters, the wages paid at the time the Commission took evidence were below, and, in the case of the Colonial Sugar Refining Company's New South Wales Mills, distressingly below, the standard of a reasonable living wage."

The Colonial Sugar Refining Co. Ltd.

It is now necessary to consider the Refining and Selling side of the Australian Sugar Industry. There are only six sugar refineries in Australia—two in Queensland, two in Victoria (one of which is the small beet sugar refinery at Maffra), and one in each of the States of New South Wales and South Australia. They employ some 1600 hands; pay some £200,000 a year in wages, and have machinery and plant worth about £850,000. With the exception of the Victorian Government beet sugar refinery and the Milliquin Company's works at Bundaberg the whole of the refineries are owned and controlled by the Colonial Sugar Refining Co. As the production of these two outside refineries is infinitesimal compared with that of the

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large company, their effect on prices and the trade generally is negligible.

The Report of the Royal Commission says:—

"For practical purposes, the price of refined sugar in Australia is fixed by the Colonial Sugar Refining Co. Ltd. The absence of actual competition among refiners is evidenced by the fact that the rival refinery at Millaquin automatically follows the lead of the Colonial Sugar Refining Company. Potential competition can have little significance within an area where a dominant company is already in the field, and the market is too limited to invite new concerns to enter upon a war of competition. Collective bargaining is inoperative. What actually happens is that the Colonial Sugar Refining Co. fixes the price subject to two main qualifications. The price must not be so high as to encourage large importations of refined sugar by other persons or companies. On the other hand, the price must be at least high enough to admit of refining profits while paying for raw sugar a price sufficiently to avoid squeezing producers of the raw material out of existence."

Profits Made in Refining.

The Australian Cane Farmers' Conference at Bundaberg estimated the costs for the various items in the manufacture of sugar as follows:—

	Per ton of Refined Sugar.	
Price paid to growers for cane at 12s. per ton (including £3 bounty)	£9	
Crushing and making raw sugar	3	
Federal revenue, i.e., difference between excise duty of £4 and bounty of £3 per ton	1	
Cost of refining and distributing	3	
Total cost of producing refined sugar		£16
Prices of sugar to the consumer, say		22
Profit made by refinery		£6

It is difficult to estimate the cost of refining, but an American Sugar Journal has given it at £2 5s. per ton, whilst the Australian Sugar Journal of the 4th November, 1909, stated it to be as low as £1 15s. £3 per ton is therefore an ample margin to allow for the cost of refining to the Colonial Sugar Refining Co. This company's profit must be, according to such calculations, as much as £6 or £7 per ton, an amount nearly as much as the grower gets for supplying the raw material.

On the other hand, the Colonial Sugar Refining Co. have issued a statement giving the results of their operations at the Melbourne and Sydney and Brisbane refineries for the

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four years, 1st April, 1907, to 31st March, 1911, during which time 705,115 tons of raw sugar were treated.

	Per Ton. £ s. d.	Total. £
Cost of raw sugar as paid to Queensland crushing mills	11 9 3	
Freight, Insurance, etc.	1 4 0	
Cost	12 13 3	
Cost of 705,115 tons raw sugar		8,928,518
Expenses, discounts, charges paid for administration and sale of sugar		1,621,615
Excise Duty		2,142,384
Total		12,692,517
Gross sales of refined sugar and syrups, 686,363 tons		13,142,291
Profit on Refining		449,774
Additional profit on imported sugar		106,556
Increase in value of stocks		35,455
Gross profit for 4 years, 1st April, 1907, to 31st March, 1911		£591,785

From these figures it appears that the costs of refining, etc., are £2 7s. 3d. per ton, and the profit 13s. 1d. per ton of refined sugar, whilst the selling price of the company's output averaged approximately £16 per ton of refined sugar. It is most difficult to reconcile this figure with the very much higher prices charged for the various classes of sugar during the period. In any case, if the selling price of sugar for a period subsequent to this be taken, it will be seen that the profit must have enormously increased.

Between 28th July and 3rd November, 1911, the prices of sugars were advanced as much as £3 10s. per ton. The notice giving effect to the first of these advances is of interest and importance. It was published as follows:—

Colonial Sugar Refining Co. Ltd.

The Company's prices for all grades of sugar have this day been advanced 20s. per ton, and are now as follows:—

Tablets	£25 12 6
Icing	27 2 6
Caster	25 2 6
Brewers'	22 12 6
IX	22 2 6
IXD	21 12 6
1A	21 12 6
1 Ordinary	21 7 6
No. 2	20 17 6
„ 3	19 7 6

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Prices of Golden Syrup and Treacle remain unchanged.

This advance is entirely due to the unexpected rise in prices during the current month in the European markets consequent upon the unfavourable effect of adverse weather conditions on the growing beet sugar crop.

H. H. SYMONDS,
28th July, 1911. Manager in Victoria.

It will be observed that the reasons given for the increase in selling price are quite extraneous to any causes of increase in costs of production, as during 1911 comparatively little sugar (only some 15 per cent.) was imported. In fact, if the sugar trade were subject to ordinary trade conditions the large output of cane from Australian plantations in 1911 should have tended to decrease, rather than increase the price of sugar. In this connection the following extract from the Royal Commission report is of interest:—

"We do not think it would be unfair to state that the general scheme of prices for cane, raw sugar, and refined sugar in Australia is so manipulated that the advantage of enhanced prices for sugar resulting from high foreign prices accrues, generally speaking, almost exclusively to the miller and refiner. But even if this were not the case, it appears to us that nothing can justify fluctuation in the price of Australian sugar depending upon causes which have no connection with local production costs. That an International Conference of sugar producing States, or possibly an International Sugar Combine, should have a power of determining to so large an extent, even indirectly, the price to Australian consumers of an Australian produced and tariff protected commodity, appears to us a condition of things which cannot be justified by argument, or by practical necessities."

It is the Colonial Sugar Refining Co. that has made most of the profit through the increase in prices. Whilst the company made a summarised statement of its profits over four years it was impossible for the Royal Commission to check such figures, or determine the amount of capital actually invested in the refineries, as the company refused to allow its financial position to be analysed, and as "the books have never been kept in such a way as to show separately the profits made in and outside the Commonwealth." The attitude of the company was subsequently upheld by an appeal to the Privy Council.

The Colonial Sugar Refining Company's Business Outside Australia.

Most of the capital and profit used by the Colonial Sugar Refining Company has been derived from the sale of sugar in Australasia. It has been already stated that the com-

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pany owns about one-third of the cane-crushing mills, and practically all the refineries in Australia. The company also has very large plantations and mills in Fiji and refineries in New Zealand, where it has a complete monopoly of the sugar trade.

The following is a report of the finding of the Court of Appeal in the action taken by the New Zealand Government against the Merchants' Association and the Colonial Sugar Refining Co. under the "Trusts Act," and should be recorded:—

"The Sugar Co. had clearly a monopoly of refined sugar in New Zealand, and practically a complete monopoly in the sale of it, as the amount of imported refined sugar, as far as regarded competition, was negligible. The company wished to preserve that monopoly, and to exclude foreign competition. It also wished to secure the co-operation of merchants and a distributing agency. The object of the merchants was to secure exclusive control of the sugar trade and to keep the distribution of sugar in their own hands, so as to prevent competition. Certain merchants combined to carry out their objects, and in order to carry them out permitted offences which have already been dealt with. If the monopoly or control sought to be obtained can only be obtained by breaches of the law, it is, in our opinion, of such a nature as to be contrary to public interests, although if it could have been obtained without breaches of the law it might not have been contrary to public interest. However, from the above consideration, it appears to us that the monopoly or control sought to be established was of such a nature as to be contrary to the public interest. The effect of the monopoly and control sought to be obtained by merchants was to keep up the price of sugar to sub-purchasers which, had it not been for the monopoly, would be reduced, and to make it impossible for the public to get the benefit of such reduction. Prima facie, such a monopoly would, in our opinion, be of a nature contrary to the public interest. There may, however, be other considerations which negative this conclusion. Thus, if a monopoly is reasonably necessary in order to prevent the destruction or crippling of an important local industry, or if it is necessary in order to secure efficient and economical distribution of the product of that industry, the monopoly might not be contrary to the public interest. It appears that there is no justification for the contention that the monopoly of distributing sugar by merchants is necessary to protect the Sugar Co. from foreign competition, nor is there any reason to believe that the monopoly is necessary in order to secure the efficient and economical article. We think, therefore, that the conviction under this charge must be affirmed."

Constitution and History of the Company.

The predecessor of the Colonial Sugar Refining Co. was the Australasian Sugar Company, which started in Sydney in 1842. The present company, which was incorporated in

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1854, took over this business a year later. From that date the Colonial Sugar Refining Company has continued to progress, and has taken over or killed all other refining companies with the exception of the Mallaquin Company. For many years Messrs. Poolman worked a refinery in Melbourne, and competed with the Colonial Sugar Refining Co., but they were bought out some 15 years ago by being given shares in the large company, and the refinery was closed up.

The principal shareholders in the Colonial Sugar Refining Company are Messrs. Knox, Watt, and Poolman, but there are many other large shareholders, and the shares are now widely distributed throughout Australia. Those shareholders whose names have been mentioned control the policy of the company.

The company was originally formed with a capital of £150,000, whilst the capital is now £3,250,000. It is difficult to say how much of this is represented by watered stock, but the fact remains that £825,000 has been transferred from reserves since September, 1907. Summing up the financial position, the dividends now total over £4,000,000, debentures to the extent of over £900,000 have been paid off, and huge reserves have been capitalised by issuing new shares to shareholders.

This form of finance has become necessary to try and hide the huge profits and still keep paying only a 10 per cent. dividend.

Taking some of the half-yearly balance-sheets of the Colonial Sugar Refining Company from the year 1907 and up till 1913, the following information is disclosed as regards the profits, dividends, and capitalisation of reserves:—

Half-year ending.	Disclosed Profits. £	Dividends Paid. Rate per half-year on Capital.	£	Reserves Capitalised. £
Sept., 1907	118,057	5%	110,000	75,000
March, 1908	134,782	5%	124,037	—
Sept., 1908	146,493	5%	124,885	350,000
March, 1909	162,631	5%	142,500	—
Sept., 1909	168,881	5%	142,500	—
March, 1910	170,950	5%	142,500	—
Sept., 1910	196,714	5%	142,500	150,000
March, 1911	207,428	5%	150,000	—
Sept., 1911	210,879	5% and 2s. bonus	165,000	—
March, 1912	225,607	5% and 5s. bonus	187,500	—
Sept., 1912	229,629	5% and 5s. bonus	187,500	—
March, 1913	233,530	5% and 5s. bonus	187,500	—
Sept., 1913	265,441	5% and 5s. bonus	187,500	250,000
March, 1914	263,760	5% and 5s. bonus	203,125	—
Total for 7 years			**£2,197,047**	**£825,000**

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The disclosed profits alone show an increase of £280,000 per annum for the past 7 years, whilst the capitalisation of reserves to the extent of £825,000 has enabled the apparent rate of dividend to be kept down to a reasonable amount. The above figures show that owing to this capitalisation of reserves, or stock watering, a half-year 10 per cent. dividend represented only £110,000 in September, 1907, but £162,500 in September, 1914. With the bonus, it will be seen, the dividend paid in 1914 is nearly double that paid in 1907, and no further capital has been subscribed. The above figures do not show the undisclosed profit that has been applied to buying plantations, crushing mills, and adding to the refineries.

The disclosed value of the assets of the Colonial Sugar Refining Company is £5,566,500; the market value of the shares in the company is £7,600,000 (an increase of approximately £1,000,000 in four years). In other words, the shareholders value their property at £2,000,000 more than the assets are declared to be worth in the duly audited balance-sheets. Now, this means one of two things: there has been either £2,000,000 of undisclosed profits devoted to buying plantations, mills, etc., which are not shown as assets, or the shareholders consider their monopoly of the sugar industry (or, in other words, the power they have acquired to fix the price of refined sugar and sugar cane in Australia) is worth £2,000,000. If this is not so, then if the Colonial Sugar Refining Company is a legitimate investment, the shares that were standing at £46 15s. in 1914 were only worth £34 10s. according to the published balance-sheets of the company. The conclusion is obvious. If the truth were known, it is probable this company is making 30 per cent. on the capital as it existed some few years ago.

By watering stock, not disclosing profits, writing down assets, really no information is made available as to the actual profits made by the company; and the comparison of the market price of the company's undertaking with the declared assets, shows the farce its published balance-sheets are to give any idea of its financial position. In dealing with the probable profits of the company the Report of the Royal Commission on the Sugar Industry says:—

> "The general policy of the Company has been to declare a dividend of 10 per cent. on the nominal capital and to utilise surplus profits in the creation of reserves and the extensions of plant. 'Since 1890,' said Mr. Knox, in giving evidence, 'we have told the shareholders from time to time that a certain

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amount of profit was kept in hand, and was being used in the development of the business. We have also told them that at present practically all our investments outside of Australia have been covered in this way.' 'Quite recently we told the shareholders that the whole of our assets—I forget whether we used the term "in Fiji' or "outside Australia"—have been covered by undivided profits. I forget exactly the words used. The assets outside of Australia are between £2,000,000 and £3,000,000.'

"Obviously, in a sound financial concern, the results of this expansion of business must be expected, sooner or later, to reveal themselves either in increased dividends or in bonuses, or in capitalisation of profits, or in some other form. Bonuses to shareholders and the issue of shares to shareholders, payable wholly or partially, out of profits, are the ostensible forms in which the shareholders of the Colonial Sugar Refining Company profit by a renunciation of the policy of declaring maximum possible dividends in the past."

In dealing with reserves that have been used for watering the company's stock the Melbourne "Age," 28th October, 1910, says in regard to the shareholders of the company:—

"During the last three years these lucky investors have had apportioned amongst them £450,000 of profits over and above their regular dividend at the rate of 10 per cent. per annum. This extra distribution took the form of shares paid up to £20 each, but worth in the market more than double that sum, so that those participating actually benefited by something like £900,000 from these bonus additions to their capital. Clearly the undivided profits are becoming embarrassing, especially as the directors admit that the earnings of the business outside Australia during the last fifteen years have practically paid for all the Company's investments in Fiji. Consequently it has been decided to present shareholders with £150,000 in the form of paid up shares, raising the total distributed in this fashion to £575,000, approximately worth £1,250,000 in the market. This operation brings the paid up capital to the authorised limit of £3,000,000. In order to provide for the disposal of the prospective larger profits foreshadowed in the chairman's speech to the meeting on Thursday, it is proposed to alter the deed of settlement so as to permit further additions to the capital account."

A few other press comments on the Colonial Sugar Refining Company's finance may be quoted. The Sydney "Australian Star," 6th December, 1909, in reviewing the report issued by the company for the half-year ending 30th September of that year said:—

"When in the Company's jubilee year in 1905 a special bonus of 2½% was paid, the half-yearly profits conveniently rose to £155,322, or £50,000 above the previous half-year, to decline in the next to £112,343. Then, again, the recent capital issue in 1907 and 1908 raised the dividend charge, but the company found no difficulty in earning larger profits to

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meet the increase. These facts suggest strongly that the real profits are not shown at all, and that the amount required for dividends and reserves really governs the profit to be disclosed."

Summary.

It will be seen from the foregoing that the growing of sugar cane in Australia provides a living, but little more, to the growers and their employees, whilst, on the other hand, the Refining Company is making huge profits. Part of these profits, derived from the sale of sugar in Australasia, has gone to build up a competitor to Australia in Fiji. There the Colonial Sugar Refining Company employs black labour to compete in the Australian market for raw sugar, whilst all the time the people of Australia tax themselves to the extent of £1,000,000 per annum (the approximate increased cost of sugar due to the £6 per ton duty) to keep the sugar growing industry alive.

On the other hand, the company has established highly efficient refineries, makes an excellent product, and has eliminated many wasteful practices which would accompany competition in trade.

A paragraph in the Report of the Royal Commission on the Sugar Industry says:—

"The view has been frequently expressed that the problem of monopolistic control can be dealt with most effectively by legislation in protection of fair competition. The value of such legislation, under particular conditions, cannot be questioned. But where, as in the case of the Colonial Sugar Refining Company, monopolistic control is the result, less of the pursuit of 'predatory' methods of certain American Trusts, than of large scale industry, and a high efficiency of organisation, an attempt on the part of the State to enforce a return to competition would imply a premium on inefficiency, a recurrence to the wastes of the competitive regime and a disregard of the advantages of large scale organisation both in steadying the market by preventing over production and crises and in securing a relative permanence of employment."

This chapter would not be complete without recording the recommendation of the above Commission in regard to the monopoly of the Colonial Sugar Refining Company.

Recognising the injustice that is being done to growers of cane, and the excessive prices charged for refined sugar, the Commission recommends—

(a) That the price of raw sugar be fixed on a sliding scale by the Interstate Commission;

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(b) That the price of cane be fixed by a Board for each mill, consisting of a representative of the growers and a representative of the millers, and a chairman to be appointed by the Interstate Commission.

And in order that outside competition be allowed to operate in fixing the selling price of refined sugar the Commission recommended that:—

(a) That the Customs Duty on sugar, raw or refined, should fluctuate in accordance with foreign market prices, falling as those prices rise, rising as those prices fall.

(b) That the amount of the duty should be the difference between foreign market price of sugar, of grade equal to 1a (as declared from time to time by the Department of Customs), and a standard price for Australian refined sugar fixed on the basis of not less than £21 10s. a ton (1a grade) as representative of Australian costs of production.

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CHAPTER 4.

The Tobacco Trust.

Constitution and Operations of the Trust.
Profits made by the Trust.

Apart from the branches of the Standard Oil Company, and the International Harvester Trust, the only large foreign trading combination established within Australia is the Tobacco Trust. Its capital, derived from a world-wide monopoly of the best tobaccoes, naturally gives it immense power, and Australia through subsidiary companies very quickly came almost completely under its influence.

It would not be correct to say that every plug of tobacco and every cigar and cigarette smoked in Australia passes through the Trust's hands, either as manufacturer or middleman, but inquiry into the general conduct of the industry has shown that for all practical purposes the Tobacco trade in Australia is in the hands of a Trust controlling almost a complete monopoly.

Those firms engaged in the tobacco trade but not connected with the Trust and sharing in its profits are at its mercy. At any time prices could be so reduced by the Trust that it would completely ruin these few small outside firms, whilst at the same time the total profits of the Trust are so large that the loss on certain lines in the Australian business would be inappreciable. The small outside traders and manufacturers recognise this, but the Trust is also alive to the fact that some small "rivals" whose existence "proves" there is no monopoly or combination to restrain trade, and no need for nationalisation or anti-trust legislation, are exceedingly useful. In any case their trade is inappreciable compared with that of the Trust

The Formation of the Tobacco Trust in Australia.

The Tobacco Trust was started in America in 1890 by W. Duke and Sons amalgamating a few firms interested in the cigarette manufacture and trade, and joining the American Tobacco Company. The financial success attend-

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ing their operations enabled the Company to acquire, or force into amalgamation, a large number of other tobacco manufacturing companies. Having obtained what was practically a monopoly of the cigarette and tobacco trades in America, the American Tobacco Company quickly reached out for control of the cigar and snuff trades. To avoid the operations of the Sherman Anti-Trust Act, advantage was taken of the laws of the State of New Jersey, where the American Tobacco Company was registered. A number of subsidiary companies which were absolutely controlled by the parent company were formed to work the different branches of the business. With its large capital and its command over the tobacco distributing business, the American Tobacco Company forced the Havanna Commercial Company (a cigar company which it controlled) and the Havanna American Cigar Company into amalgamation, and at subsequent dates many of the other large Cuban and American manufacturers were brought into line or ruined in an attempt to compete.

Having obtained a monopoly of the American tobacco trade, the American Tobacco Company soon extended its operations. In England the company offered to dealers nearly £4,000,000 and any profits this company made in Great Britain if they would use only the American company's brands. The Imperial Company, which was an amalgamation of the principal English tobacco firms, and was interested in the Australasian trade through W. D. and H. O. Wills, came into line and carried on the British trade under direction of the American company. The British American Tobacco Co. was then formed to operate in Great Britain and countries other than America. The capital at the disposal of this company was £6,000,000, and Australia was one of the earlier countries to attract its attention.

At this time the trade in Australia was in the hands of a number of competing local manufacturers and importers. The firms which had the largest trades were the Dixon Tobacco Co. Ltd., W. Cameron Bros. and Co. Pty. Ltd., W. D. and H. O. Wills Ltd., J. Kronheimer Ltd. and the British American Tobacco Company.

The importing of tobacco was controlled by Kronheimer Ltd. and W. D. and H. O. Wills. They amalgamated to

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form a company of £600,000 capital, the principal shareholders being:—

W. D. and H. O. Wills	189,000	ordinary	102,202	preference
Kronheimers	62,285	„	57,831	„
C. Franklin	29,289	„	28,920	„
L. S. Benjamin	3,715	„	3,669	„

The British American Tobacco Company. Ltd. of London.

The principal manufacturers at this time were the Dixon Tobacco Company Ltd. and W. Cameron Bros. and Co. Ltd. They amalgamated also in 1903 under the title of the British Australian Tobacco Co. Ltd., the principal shareholders of which were:—

Geo. Alex. Cameron, of U.S.A.	34,800	shares
L. S. Benjamin	1,000	„
W. Cameron, of Melbourne	1,500	„
Kronheimers	16,000	„
J. Service and Co.	1,280	„
Dixons, Sydney	45,000	„
Dixons, Adelaide	15,000	„

A third company, the American Tobacco Company of Australia, was constituted at the same time, and had as shareholders the following:—

American Tobacco Co., New York	118,375	shares
Dixons, Sydney	60,000	„
L. P. Jacobs	8,272	„
British Australian Tobacco Co.	6,000	„

These three companies absorbed virtually the whole of the importing and manufacturing of tobacco in Australia. From the lists of principal shareholders it will be observed that all three companies must be managed with a common object in view, and that both importing and manufacturing interests are brought under the one control as the personnel of the directorates guarantees unanimity of action.

In his evidence before the Tobacco Commission, Mr. Louis Philip Jacobs, one of the principals, acknowledged an arrangement between the manufacturers and importers, whereby each of the manufacturing companies holds a proprietary interest in every other such company; and whilst carrying on its business separately, each has purchased an interest in the distributing house of Kronheimer Ltd., which distributes the manufacturing companies' products to whole-

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sale and retail houses. According to Mr. L. P. Jacobs, the firms which entered into the arrangement alluded to are:—

The British-Australian Tobacco Co. Ltd., Melbourne, Sydney and Adelaide.
W. D. and H. O. Wills (Australia) Ltd., Sydney.
The States Tobacco Co. Pty. Ltd., Melbourne.
The American Tobacco Co. of Australasia Ltd., Sydney.
Cameron Bros. and Co. Ltd., Brisbane.
The British American Tobacco Co. Ltd., London.

After several rearrangements of capital and business these companies, or rather those in control, formed the British Tobacco Company (Australia) Ltd., and this company has taken over and controls (virtually as a holding company), all the allied interests which have become concentrated in The British-Australasian Tobacco Co. Pty. Ltd., W. D. and H. O. Wills (Australia) Ltd., The States Tobacco Co. Pty. Ltd., Kronheimer Ltd., The Australian Tobacco Co. Ltd. It is this complete organisation which constitutes what is known as the "Tobacco Trust." The directors of the British Tobacco Co. (Australia) Ltd. are, according to the London "Financial Times," Messrs. W. E. Shaw, H. R. Denison, C. H. Reading, G. F. Dodman, A. J. Warry (of Sydney), A. D. Hart, L. S. Benjamin, W. Cameron, L. P. Jacobs (of Melbourne), and H. Cunliffe-Owen, of London.

The Melbourne correspondent of the London "Daily Chronicle" at the time of the formation of the combination summed up the situation as follows:—

"Australian consumers of tobacco are now passing through a somewhat similar experience to that of the British consumers during the struggle between the British and American manufacturers a few years ago. Aided by the tariff, a group of manufacturers in Australia appear to have succeeded in amalgamating all conflicting interests of any magnitude in the trade. By means of a great distributing agency formed under the title of Kronheimer Ltd., practically the entire Commonwealth business in British, American and Australian tobaccos, cigars, cigarettes—including many of the finest brands, as well as the cheaper articles consumed by the masses—now passes through one distributing channel. Travellers have been dismissed; at least one factory has been closed, advertising expenses have been cut down, and a campaign of coercion designed to compel Australian retailers to confine their orders to certain classes of goods has been initiated. There are still some firms outside the ring, but ere long they must be compelled to compromise with the big monopoly. The retailer states that he has already been informed by the Trust that if he stocks any more of a certain popular brand of cigarettes made by a manufacturer outside distributed by the Australian combine. The monopoly con-

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trols nine-tenths of the most palatable preparations of tobacco sold in Australia, and therefore any withdrawal of its supplies the monopoly he will not be supplied with any of the goods means absolute ruin to a retail vendor. Its financial resources and trade agreements enable it to under cut any prices."

A matter of considerable interest in connection with the alleged Tobacco Trust is the attitude of the influential democratic paper, the Sydney "Bulletin."

A few years ago, in dealing with the evidence of Mr. Louis Philip Jacobs before the Senate Committee of enquiry into the Tobacco Trade, this journal said:—

"Mr. Jacobs did not tell the committee that the cigarettes of the Trust are manufactured in one factory, and then labelled with the various labels in favour with the public. He did not tell the committee that the agreement entered into by the various members of the combine is so thorough and permanent, so clear and unmistakable in its words, terms and order, that the previously competitive firms use the same advertising space in rotation in their joint advertisements. He did not tell the committee that the terms of agreement contained clauses providing for the harmonious working together of all parties concerned. He did not tell the committee that it would be impossible to devise a Trust that is more completely bound up and dove-tailed, one joint with the other, than this combination is. He did not tell the committee that nearly all the principal brands of tobacco, cigars, and cigarettes imported from England, America and Cuba, as well as those manufactured in Australia, are entirely in the hands of the Trust. He did not tell the committee that, previous to the formation of the Trust here, the above mentioned goods were open to the ordinary competition of trade. He did not tell the committee that if a local merchant now writes to the manufacturer of these goods, he is referred back to Kronheimers. But the Select Committee can get documentary evidence of all this in Sydney. Louis Philip Jacobs did not tell the committee that Kronheimers sell these goods to a local merchant at so high a price that the local man cannot make salt out of the transaction."

And again on the 24th December, 1904, the same journal said:—

"Australia will be absolutely at their mercy as regards the price and quality of tobacco. Except by the limit which local economica sets—that a too great an increase in price will limit consumption—the Trust will have no restraint on its cupidity. Quality can be whittled away and price increased until the point is reached at which the most money is got for the poorest value. That can be done, and in the light of Trust history—and particularly of this particular Trust—it is safe to say will be done."

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Again on the 28th of July, 1904, the Sydney "Bulletin," in referring to the capture of the New Zealand trade by the Tobacco Trust, said:—

> "The Trust had gone into Maoriland with the airs and manners of dictators, had intimidated the trade there, and had collared 95 per cent. of the entire tobacco business of the country. It next proceeded to raise the price of tobacco 2d. per lb., which amount would figure up to £30,000 on the yearly consumption of tobacco in M.L."

Since these articles were written the operations of the Trust have not, in any way, been altered, and the control of the industry is even more complete than formerly, yet it is now difficult to find anything in this journal condemnatory of the Tobacco Trust's operations, but frequent reference to the tobacco industry is made in full-page advertisements extolling the virtues of a certain well-known brands of tobacco, cigars and cigarettes.

The July-August, 1909, issue of the "Australian Tobacco Journal and Hairdressers' Record," referring to the actions of the Trust in stifling competition and raising prices, said:—

> "The high price of tobacco to-day is mostly watered profit in the capitalisation of a number of companies that have been swallowed by the great American Trust. When one compares the price of leaf as it leaves the grower with the price of the finished article as it reaches the public, the big difference is not altogether the actual cost of manufacture and duty, the milking company promoter and sleeping shareholder has his cut out of every ounce of tobacco on the market."

One small manufacturer outside the Trust said:—

> "We feel keenly the competition of the present combine. We would not mind fair fighting, but when we find our brands of tobacco, cigars, and cigarettes kept out of retailers' windows, we think it is rather hard for us to have to fight singly as we are doing now."

The publication of the "Australian Tobacco Journal and Hairdressers' Record" ceased at the end of the year 1909.

Constitution and Profits of the Tobacco Trust in Australia.

Since the initiation of centralised control through the formation of the allied companies above referred to, the constitution of what is termed the Tobacco Trust has been greatly altered. The principal controlling or "holding" company is the British Tobacco Co. (Australia) Ltd., and

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in respect to its profits and directorate the "Financial Times" of London furnishes the following information:—

"The company has an authorised capital of £5,000,000, and there have been issues of 1,484,727 preference and 3,300,000 ordinary shares of £1 each. The dividends paid on the latter are stated to have been 9 per cent. for the year ended 31st June, 1909; about 21 per cent. for 1910, 12 per cent. for 1911, 22 per cent. for 1912, and the same for 1913. Quarterly dividends at the rate of 12 per cent. per annum are paid on the ordinary shares, whilst every alternate year an adjustment of surplus profits is made by means of cash distributions, with power to shareholders to subscribe therewith, and, to that extent, for new ordinary shares at par. The last distribution on this basis was made in August, 1912, and was in respect of the year ended 31st January, 1913. Assets comprise shares in other companies, valued in the books at the end of January, 1913, at £3,962,658. Goodwill, trade marks and trade agreements then figured at an estimate of £806,781; there was cash at head office amounting to £1489, and debtors and debit balances were given as £382,731. The revenue has been steadily progressive, the records being:—Twelve months, to 31st January, 1909, £325,000; 1910, £689,150; 1911, £444,400; 1912, £772,300; and 1913, £838,900. The greater part of the company's income is stated to be drawn from the subsidiary concerns in which it is interested, and these undertakings have accumulated undivided profits of £153,000."

Allied with the British Tobacco Company of Australia is the British American Tobacco Company, which is one of the constituent companies forming the world's Tobacco Trust. This company published the following as its profits:—

Year Ending 30th Sept.

1911	£1,655,880
1912	1,981,159
1913	2,151,000

Whether this is the true profit on the business or not, it is impossible to say, as no figures are available showing what amounts were put to reserves of various kinds or used in extending the business.

Of the companies allied with the British American Tobacco Company through having shares in it, the most important tobacco company in England is the Imperial Tobacco Co. of Great Britain (W. D. and H. O. Wills). For the year 1913 the profit shown in the report for the 12 months ended 31st October furnishes a fresh record at £3,019,200, or an advance of £231,500 on the figures for the preceding year. £13,100 goes to increase the bonus paid

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to customers, who this year receive £102,000. The dividend and bonus on the "B" deferred ordinary shares is the same as before, working out at 30 per cent., and a balance of £274,800 is carried forward, as compared with £236,600 a year ago. The general reserve now stands at £3,250,000, as against an issued capital of £15,640,000. It has been shown how the British-American Tobacco Co. and the Imperial Tobacco Co. of Great Britain are interested in the various Australian Tobacco companies. Being private companies they publish no balance-sheets, but it may be assumed that the profit out of the Australian business and the increase in the profit can be measured by the above figures. An outside glance at the large Australian factories and the affluent circumstances of those engaged in the business confirm this view.

The Trust and the Growers of Tobacco.

It is probable that the growers of tobacco have suffered more severely than any other section of the Australian public by the operation of the Trust. The condition of this industry, and those engaged in it, is in marked contrast with the manufacturing and wholesale distributing side of the Tobacco trade. In this respect there is a great similarity between the Tobacco and Sugar industries.

The relative quantities of Australian and imported leaf used by the Tobacco factories in Australia are shown in the following return supplied by the Commonwealth Bureau of Census and Statistics:—

Year.	Australian Leaf Used.	Total Leaf Used.	Australian Per Cent. to Total.
1902	1,653,387	6,026,153	27.4
1903	1,633,892	6,828,780	23.9
1904	1,774,275	7,439,324	23.0
1905	1,639,757	8,114,479	20.2
1906	1,646,682	8,988,107	18.3
1907	1,459,316	9,257,742	15.8
1908	1,527,197	10,164,230	15.0
1909	1,337,990	9,882,514	13.5
1910	1,308,879	10,884,741	12.0
1911	1,225,276	11,016,732	11.1
1912	1,185,331	11,806,365	10.0
1913	1,226,158	11,597,548	10.6

Prior to the formation of the Trust the growers had several large factories to offer leaf to, and there was competition in the buying, with the result that prices were maintained at a payable rate to the grower. Furthermore, none of these factories were interested in growing com-
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panies in America and elsewhere. But with the amalgation of manufacturing interests into the form of a trust, there became only one buyer, whose price had to be accepted or the leaf allowed to rot; and more, this buyer was interested in tobacco plantations in America. With the reductions in price, the growing of tobacco in Australia has become less and less profitable, and what was once a large and prosperous Australian industry is now unprogressive, notwithstanding that the requirements for leaf have almost doubled during the past 11 years. The Albury "Daily Mail," 3rd October, 1905, in referring to the Tobacco growing at Tumut, said: —

> "Great consternation was occasioned amongst the tobacco growers of this district recently owing to the offers received for their leaf from the British-Australian Co. A great number were induced by the offers held out by the Company to start the industry last year, and they erected, at considerable expense, large sheds for curing. Some of the growers vow that they will never grow another stalk of tobacco unless the buyers from other parts of the world can be found to guarantee a payable price before the seed is grown."

What is true of Tumut is equally true of other tobacco-growing localities in Australia.

Notwithstanding the large increase in the requirements for leaf, and the fact that imports of leaf in 1913 total 10,371,390 lbs,, as compared with 1,226,158 lbs. produced in Australia, a letter was forwarded by a representative of the British-Australasian Tobacco Company to a number of the tobacco growers in Australia, and it contained the following advice:—

> "As regards the local tobacco, we might mention, for your information, that there is very much more being produced in Australia to-day than the demand warrants, and advise you not to increase your area if you can grow anything else."

In explanation of such advice the Minister for Customs interviewed the representative of the British-Australia Tobacco Co., and was assured as follows:—

> "It is not the intention of the manufacturers to refuse to pay a fair price for fair quality leaf. There is a fair prospect for the tobacco industry in the future, but there is not sufficient good quality leaf at present produced. There is only room for a gradual expansion of the industry. Much of the leaf is inferior, due to causes arising from the nature of the soil, climatic conditions, selection of the seed, and preparation of leaf. Attention to these matters will produce better results."

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Other explanations given to growers, for the company (virtually the only buyer of leaf in Australia) not requiring local production, were that the factories had supplies already four years ahead of requirements in their stocks of Australian leaf.

With diminished outlet and poorer price, discouragement at every turn, and only one large buyer (who more often than not will not buy Australian leaf), there is no wonder that Tobacco growing is going out of favour with the Australian farmers. It is much more profitable for the Tobacco Trust to import leaf from its own plantations worked by black labour. Any import duty is passed on to the consumers, and for Parliament to impose a higher duty would mean merely taxing the whole smoking community with little possibility of increasing the profits of Australian growers of leaf.

The Treatment of the Tobacco Factory Hands.

At first, the creation of the trust by the combination of manufacturers was accompanied by hardship to some employees, as the increased efficiency allowed of surplus labour being dispensed with. There were virtually no other tobacco factories in Australia where they could seek employment, and it was impossible to establish businesses of their own. From a strictly economic point of view no objection can be taken to a saving in useless labour, and no doubt the large increase in factory hands from 2838 in 1905 to 3923 in 1910, due to the natural increase in the industry, has absorbed any who may have been turned out of employment on the amalgamation of all manufacturers. Any competition between the various factories for workmen having entirely ceased, no man can hope to better himself by leaving one factory and going to another; the wages are all the same. Any worker discharged from one factory has little chance of getting any further employment at his trade in Australia, though the offence for which he is discharged may be only of a trivial nature; and to start a competing business is utterly futile.

Apart from this, the conditions of the employees in the various factories controlled by the Trust are far superior to those obtaining in practically any other employment. Generally speaking the wages are considerably higher; the hours and conditions are easier, and better than the Wages Boards' awards; the factories have the best ventilation and lighting; and rooms are provided for meals for the em-

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ployees; female hands have every consideration, should there be any illness or distress, whilst male hands will be given full pay during the period they are attending compulsory drills; schemes of the employees designed for their betterment are generally subsidised. The result is that the Tobacco Trust has become an almost ideal employer as long as a man or woman is content to remain an employee of the Trust, and in the position allotted to him or her.

Whilst it is very probable that the increased efficiency and better work of the employees more than pays for the improved conditions and higher wages, every credit must be given to those controlling the Tobacco Industry for this state of affairs. The motives may only be to satisfy Trades Union agitation, and gain the support of the employees and labour organisations rather than their hostility, which would have led to public discussion of the Trust's operations, yet a vast improvement in the conditions of the employees has resulted from the elimination of competition. As it is, Tobacco Factory employees are adverse to any change or interference with the Tobacco Trust's operations, for they could only lose by nationalisation or Government control of the industry; they would probably oppose it notwithstanding the political creed of their organisations.

To benefit and incidentally to further maintain the interest, co-operation and good favour of the employees and their Trades Unions in the maintenance of the present state of affairs, viz., the virtual monopoly of the Australian Tobacco Trade, the directors of the British Tobacco Company (Australia) Ltd. issued in March, 1914, the following circular:—

PRELIMINARY NOTICE TO EMPLOYEES.
PROFIT-SHARING AND CO-PARTNERSHIP SCHEME.

British Tobacco Company (Australia) Limited have for some time past been considering the question of adopting some scheme of profit-sharing embodying the principles of co-partnership for the benefit of the Employees of the Tobacco Companies associated with them, so as to secure to such Employees a share in the profits of the business.

With the object of obtaining the latest information on this subject, full inquiries were instituted in England last year, and, as a result, the Directors are pleased to be able to announce the adoption, subject to the approval of the Shareholders being obtained, of a Scheme which they feel sure will create between Employer and Employee that spirit of partnership which is so important a factor in industrial development.

The Company has made arrangements to allocate a portion of the profits made for the past year by The British-Australasian Tobacco Co. Ppv. Ltd., W. D. & H. O. Wills (Australia) Ltd.,

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The States Tobacco Co. Ppy. Ltd., Kronheimer Ltd., and The Australian Tobacco Co. Ltd., with a view of purchasing therewith at Par and presenting to the Employees of such Companies, "Ordinary" Shares of British Tobacco Company (Australia) Limited.

These "Ordinary" Shares will be in exactly the same position as all "Ordinary" Shares of the Company, and will secure to the Shareholders the same Dividends that are payable to Ordinary Shareholders as well as equal capital rights.

The Shares referred to, however, cannot be sold, disposed of, transferred or otherwise dealt with until five years after their issue to the Employees; but provision will be made for their realisation in the case of the death of any Employee.

The Shares will be held in trust by Trustees to be appointed, who will pay to the respective Employees the Dividends as declared on the Shares held in trust for them. After the lapse of five years, an Employee may, if he so desire, give instructions to the Trustees to dispose of such Shares as have been held for not less than five years on his or her behalf, and the proceeds of the sale would be handed to him or her.

The actual amount which will be available for distribution under this Scheme, and complete details, will be announced at the General Meeting of the British Tobacco Company (Australia) Limited, at Sydney in May next; but it may be here stated that it is estimated that the amount will be about £30,000, with which about 30,000 Shares will be purchased by the Trustees for the Employees.

The following will be eligible to participate in the distribution, viz.:—

(a) All Male and Female Employees who on January 31st, 1914, were over 21 years of age, and had completed two years' continuous service in the employ of the above-mentioned Companies at Sydney, Melbourne, Brisbane, or Perth.

(b) All Female Employes who being under 21 years of age on January 31st, 1914, had completed on that date four years' continuous service in the employ of any of the above-mentioned Companies at the above centres.

(c) All Employees of Kronheimer Ltd., Adelaide, who have fulfilled the conditions as to age and service mentioned in (a) or (b).

(d) All Employees of The British-Australasian Tobacco Co. Ppy. Ltd., Adelaide, who have been or may be transferred to Melbourne or Sydney, and who remain in their new positions for not less than three months, and who have fulfilled the conditions as to age and service mentioned in (a) or (b).

The Shares will be an actual gift to the Employees, and will be free of all conditions other than the restriction of the right of sale for five years, and the vesting of the Shares in the Trustees on their behalf, and in estimating the proportion of

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Shares to be allotted to any individual the salary or wages actually earned will be the basis, but any excess over £250 per annum will be disregarded.

The Directors hope that the prosperity of the Company will permit them to make some further distribution in succeeding years.

BY ORDER OF THE DIRECTORS.

March, 1914.

The Retailers and Price of Tobacco to the Consumers.

Kronheimers Limited, through their control of the importation and manufacture of, at any rate, all the best-known brands of tobacco, virtually control the retail tobacconists. The retailer has no choice but to buy the goods at the prices Kronheimers Limited fix, as only the lowest trade prices would be given to those retailing exclusively the Trust's tobaccoes. The Trust tobaccoes are essential for a stock, so direct importation of other brands (if they are available) is very rarely practised.

It has been stated that Kronheimers charge 3d. per lb. for merely distributing the tobacco. If this is so, as there are some 12,000,000 lbs. of tobacco turned out by the factories alone, it will be seen that this part of the Trust's operations yield some £200,000 for distributing tobacco from the factories to the semi-independent wholesale and retail depots.

Worked as this part of the business is, the amount appears large, but there can be little doubt that the expenses of distribution would be considerably greater under any competitive system.

The conditions that the Trust imposes on the retailers to prevent any competition that would benefit the consumer can be gathered from the following introduction to Kronheimer's price list. It reads as follows:—

"Conditions of Sale.—Any goods sold by us are supplied upon the express condition that the scale list of prices, as well as the terms and conditions contained herein, are strictly adhered to, both as regards goods on hand and further supplies; and the acceptance of such supplies will be considered an agreement on the part of the purchaser to rigidly observe and enforce this condition."

The penalty for any infringement of these regulations is that the offender shall be no longer supplied at wholesale rates.

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The retailer is further bound by the Tobacconists' Association, one of whose rules is:—

> "In particular, the Directors shall from time to time draw up a schedule of prices to be charged by the Association to members, and by members, for tobacco, cigars, cigarettes, pipes, and all other kinds of goods usually sold or dealt in by retail tobacconists."

What independence is left to the retailer by Kronheimers' conditions is certainly taken away by the Tobacconists' Association, which, it is alleged, is largely controlled by Kronheimers through their having so many members tied to them. It is little wonder, therefore ,that the price of smoking commodities has increased rather than decreased, as a result of decreased costs in manufacture and distribution, whilst at the same time the profit in the retail tobacconist trade is less also. In America, the Tobacco trust entered into the retail business, but with an absolute control of the supplies and prices, there is no necessity for the controlling company to enter the retail trade in Australia. However, the danger was appreciated apparently in 1909, when the May-June number of the "Australian Tobacco Journal and Hairdressers' Record" said:—

> "The conditions in Australia to-day are exactly as they were in the United States before the actual trouble began. You just remember, Mr. Retailer, that the present peaceful policy of the Australian Associated Companies may, by a shuffle of Directors, be turned into a policy to crush you out of existence, as in the Unted States. The consolidation of manufacturers was no sooner established than it sought the absorption of the retail business, which has now been practically accomplished. Wherever possible, the Trust's shops opened and squeezed in alongside the small man, soon forced him out of his business; it undersold him, and so undermined his business that he had to quit. . . . Where it could not defeat the retailer through his business, it induced the landlords to raise his rent to an undurable figure, it bought the property he rented or pushed him to ruin by giving tobacco away; where one method failed, they reached him through another."

> "So much for the retailer, what the absolute control of the retail business by the Trust means to the consumer, does not require a prophet to foretell. Once in possession of the retail trade, the Trust has the consumer at his mercy, makes its own prices, and sells its own quality, the public have to buy or go without."

As far as can be ascertained, there was only one issue of this publication after these words.

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Summary.

Summarising the position of the Tobacco Industry and trade in Australia, it may be stated that:—

(1) Seven-eighths to nine-tenths of the Australian trade is in the hands of a "Trust" acting through subsidiary companies in Australia, and allied with or controlled by the world-wide British-American Trust.

(2) The "Trust" fixes the prices to be paid to the grower of the tobacco leaf in Australia, and decides the prices to be charged to the consumer; the lowering of the price paid to the Australian tobacco grower for his leaf means that this industry is petering out whilst imports from American plantations, controlled by the Trust, are increasing.

(3) To prevent any competition in the Tobacco Trade that would decrease selling prices and seriously interfere with profits, there appears to be an understanding with some of the few relatively small "outside" manufacturers, to the effect, that their businesses will not be interfered with, provided prices are not cut.

(4) The "Trust," acting through a subsidiary selling agency, controls the distribution of tobacco to retailers, who are thus completely in its power.

(5) The Trust is making huge but unascertainable profits, and has fixed the price and quality of tobacco, etc., at standards to give it a maximum of profit.

(6) There is a tacit understanding between the Trust and its employees to discourage State interference with the present conditions.

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CHAPTER 5.

The Interstate Shipping Combine.

Description of the Australian Shipping Trade.
Analyses of the "Federated" Shipping Companies' Finances.
The Effects of the Shipping Combine.

The lines of Australian commerce are simply determined by geographical considerations. The isolation of Australia is such that a long deep-sea voyage is necessary for communication with the great centres of European, Asiatic and American population, whilst within the Commonwealth the population is so scattered on the south-western and south-eastern fringes, in Tasmania and the neighbouring Dominion of New Zealand, that a coastal shipping trade is the natural form of commercial interchange.

Thus the shipping trade of Australia comprises:—

(1) Foreign and Deep-sea passenger and cargo services to countries outside Australia.
(2) Coasting services confined to a State.
(3) Interstate steamship services.

Deep Sea Trade.

The foreign services are carried on by companies controlled in Great Britain and Europe. The principal steamship lines trading between England and Australia constitute a ring which has forced up the freight rates to the British exporter. The result has been that the preference given by the Australian and New Zealand Tariffs to manufactures of British origin has in many cases been rendered valueless as an encouragement to trade within the Empire. The methods adopted by members of the oversea shipping ring are (as it will be subsequently seen), very similar to those used in Australia. They consist of a close agreement as to freights and fares, and a provision for giving a rebate of 10 per cent. to those shippers who use only the combined steamers. Thus every Australian consignee of cargo can substantiate what Mr. B. H. Morgan says in his book, "Trade and Industry in Australia," in regard to the complete subserviency of the British manufacturer to

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the dictates of the shipping ring. Of him Mr. Morgan says:—

> "He is also now beginning to find out that his export trade to Australasia is entirely in the hands of a 'ring,' who can dictate to him any terms they choose, while he is powerless to resist. He discovers that he has been building up a monopoly of the worst kind; and, more than that, he has, under the name of 'deferred rebates,' parted with his gold, which is held by the astute shipowner as 'good conduct money,' liable to forfeiture if the latter's game is not played properly."

The Federal Royal Commission on Mail Services recommended that the service subsidised by the Commonwealth for the carriage of mails should be nationalised, and there is a provision in the contract between the Commonwealth and the Orient Steamship Company to allow of the steamers being taken over at any time. Whilst the present conditions may not justify such a step, circumstances may eventuate compelling the Commonwealth to take over the Orient line and utilise the mail subsidy of £200,000 a year towards making up any loss there may be in cutting rates with English and European shipowners, who have combined to increase the cost of transporting cargo between Europe and Australia.

The State Coastal Trade.

Whilst the purely inter-port State trades of Queensland and South Australia are entirely in the hands of the Interstate companies, the New South Wales coastal trade is divided between the North Coast S.N. Company and the Illawarra S.S. Company, trading north and south of Sydney respectively. In the State of Victoria, the Interstate companies participate, but work in conjunction with a few small steamers. Though the present companies have a complete monopoly of the coastal trade, they have not been able to raise freight and passenger rates to an extortionate degree owing to the comparative proximity of all parts to the distributing centres—the capital cities—and the consequent competition of the Government railways. The rates are, however, as high as they can be put, and between many ports they are half as much again and double what they were some ten years ago. It is asserted that few of the State coasting steamers are earning less than 25 per cent. on their capital cost.

The Interstate Shipping Trade.

The whole of the Interstate communication as far as cargo, and largely as far as passenger traffic also, is con-

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(2) Howard Smith Co.
(3) Adelaide Steam Ship Co. Ltd.
(4) McIlwraith, McEachern and Co. Pty. Ltd.
(5) Huddart, Parker and Co. Pty. Ltd.
(6) Union Steam Ship Co. Ltd.
(7) Melbourne Steam Ship Co.

Competition again became keen, particularly so between the Union Company and Huddart, Parker and Co., for the Tasmanian and New Zealand trade, and between the Adelaide S.S. Co., Australian United S.N. Co., and Howard Smith and Co. for the Queensland and Western Australian trade with Victoria and New South Wales. Low freights and low fares resulted.

Agreement Between the Companies.

The advent of Federation with Interstate freetrade greatly increased the coastal trade, and the various companies, seeing that there was enough trade for all their steamers, and seeing that the fight between themselves had only resulted in giving the people low freights and fares, came to an understanding, and formed an Association or Federation, which provided for:—

(1) The granting of rebates to those shippers and agents who only used the steamers belonging to those in the Steamship Owners' Federation, the members of which had agreed on a scale of freights and fares, with interchangeability of tickets.

(2) Parcelling out the trade of Australia between the companies, so that the Tasmanian and New Zealand trade with Australia was reserved to Huddart, Parker and Co. and the Union Steamship Co. The trade between Melbourne and Sydney with West Australia was given to McIlwraith, McEachern and Co., Howard Smith and Co., the A.U.S.N. Co., and the Adelaide S.S. Co., and the Queensland trade was given to the three last-mentioned companies.

(3) Leaving the small State coastal trade in the hands of the smaller companies on the understanding that they would not compete outside the States.

The system of rebates to those merchants and others who shipped cargo only by "Federated" steamers was in force over a period of some 10 years; it was effective in compelling every shipper of Interstate cargo to use only the

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"Federated" companies' steamers, as the rebate virtually meant a 10 per cent. reduction in the freights charged. This could have only one result; the few shipowners outside the agreement were either forced to come into the "Federation" or were ousted from the trade, as their services were not sufficient to enable shippers to be independent of the "Federated" companies. With the completion of the combination, freight rates and passenger fares were soon raised.

On the other hand, the combination of shipowners, working under an agreement, has resulted in a very high class of steamer being used in the Interstate trade. On the score of efficiency, the effect of the lack of competition (or fear of competition) has not been detrimental, as many very fine steamers have been added to the Australian fleet.

The Australian people have paid for most of the new tonnage, but the Federated shipping companies, however, own all the steamers which have been added.

The exact nature of the understanding or agreement between the companies has not been disclosed. It is quite possible that there is nothing more than an "honourable understanding" between the various directorates, with nothing in writing that would bring their respective companies under the Federal Anti-Trust Act; but that a combine and understanding exists is not doubted for a moment by those who have studied the financial position of the various companies, or who have experienced the increase in freights and fares, and the off-hand treatment that every shipper of cargo receives.

Profits made by the Interstate Shipping Companies.

To form an opinion as to the merits of any combine, it is essential that the profits and financial condition of the various constituent members of the combine should be analysed. Excessive profit made out of an industry such as transport is always *prima facie* evidence of combination. If the profits are reasonable and only a fair return be made on the money invested, the companies cannot be said to be abusing the power their combination gives them, because, apart from rates, no fault can be found with the services provided. If, on the other hand, profits are unreasonably high, then it is justifiable to assume that the rates on cargo and passengers are excessive, or that money is coming from the public in some way. Under these latter circumstances there is justification for Government action in the public interest, seeing that combination in restraint of trade to the

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detriment of the public has been declared illegal. To allow a defect in our legal system to give a private organisation a monopoly out of which excessive profit is being made, is as culpable on the part of the legislator as to grant a monopoly direct.

Whilst analyses of the balance-sheets will provide all the information necessary to show whether the profits of the shipping companies are inordinately large or not, yet a difficulty arises on account of the participation of these companies in the coal trade. In considering the following figures, therefore, it must be always remembered that it is impossible for anyone outside those interested to differentiate between the profits actually made out of shipping and the profits the same companies have made out of the coal trade. In any case, however, the excessive profits are made at the expense of the same people.

Howard Smith Co. Ltd.

This company originally engaged directly in shipping and coal distribution and was also interested largely in Newcastle collieries; since 1912 it has become a "holding" company, owning practically all the stock in:—

(1) Australian Steamships Ltd., which works the whole of the steamers originally run under the Howard Smith Co.'s flag;

(2) Caledonia Collieries Ltd.

These two companies are now managed by the Howard Smith Co. Ltd., who at the same time carry on the Interstate coal trade between Newcastle and the Australian States other than New South Wales.

When the financial position of this company is carefully examined it shows the enormous profits that have been made since it was floated in 1901. A prospectus then stated that—

(1) The valuation of the steamers, etc., was £305,715.

(2) The goodwill was worth £40,000.

(3) The bonus on freights which would probably arise under trade arrangements (*i.e.*, the deferred rebate) was £5000.

(4) The annual profit for five years, 1897-1901, after allowing for annual depreciation of 7¾ per cent., was £54,901.

(5) The total tonnage of steamers was 25,362.

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(6) The Howard Smith family were to be allotted 325,000 paid up shares and 130,250 contributing shares in a company of 500,000 shares of £1.

(7) The public were to have 44,750 contributing shares.

Analyses of subsequent balance-sheets will show how the assets and profits have increased since these figures were published. Taking the period 1904 to 1908, the published balance-sheets show as follows:—

	1904.	1909.
Nominal capital	£386,345	£500,000
Declared net profit for the year	31,952	55,228
Dividends for the year	29,720	50,000
Assets.		
Steamers, etc., at cost, less depreciation	287,537	654,697
Shares in other companies	63,525	196,681
Insurances, deposits, etc.	260,508	203,920
Total	£611,570	£1,055,298
Liabilities	178,797	58,859
Net Assets	£432,773	£996,439

Summarising the operations for the 5 years 1904-1909:—

Increase of declared assets	£563,666
Dividends paid	219,662
Additional actual capital subscribed	113,655
Net declared profits (i.e., increase in assets and dividends paid, less added capital)	669,683
Net declared profits per annum	133,936
Average rate of profit earned on the capital subscribed (about)	30 %

There seems good ground, therefore, for the following statement made in 1910 by a leading financial paper in regard to the reserves and assets of this company:—

"It must not be lost sight of that besides having part of the reserves held nominally for insurance purposes, the Company evidently pays premiums to cover with outside companies a sum greater than that at which the steamers, etc., stand in the balance-sheet. Likewise, depreciation, replacements, and renewals, although included as subjects for the reserve fund, are provided for to the extent of about 4 per cent. per annum, out of profit and loss account; and it is noticeable that although considerable tonnage has been added, the floating asset does not proportionately increase. Thus there is evidently a writing down of this and other items out undeclared revenue."

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Coming now to a later period, the financial position of Messrs. Howard Smith and Co. Ltd. can be best gauged from the following summary of the report and balance-sheets that appeared in the Melbourne "Argus," 4th March, 1914:—

"The accounts of the Howard Smith Co. Ltd. for the year ended December 31 show considerable alterations as compared with preceding statements, owing to the interests held in other companies. The income from investments and wharves and the profit on coal, less provision for depreciation and contingencies, was £206,960, as compared with £146,474 for 1912, and £107,629 for 1911. Charges, law costs, and other expenses were £55,504, or £3225 more than in the previous year. The accounts therefore show a profit of £151,456, which, with distributions, compares as follows with the figures of the two previous years:—

	1911. £	1912. £	1913. £
Net profit	61,168	94,196	151,455
Brought forward	47,069	58,237	92,314
	108,237	152,433	243,769
Dividend, pref.	12,500	22,619	25,000
Do., ordinary	37,500	37,500	50,000
Carried forward	58,237	92,314	168,769

Distributions to shareholders are made up of an interim payment of 6d. per share on the cumulative preference, and 1s. 6d. per share on the ordinary in September, and the further amounts now recommended of 6d. per share on the preference, and 1s. 6d. with a bonus of 1s. on the ordinary shares. The balance-sheet figures are presented in a different form than usual. Previously the funds for depreciation, renewals, insurance, equalisation of dividends, staff superannuation, and contingencies appeared as one item, whereas now three separate items are given, amounting to £803,539. Among assets, the item steamers and plant has disappeared, owing to the transfer of interests to Australian Steamships Ltd., while for the same reason shares in other companies, which are shown at valuation, have increased by £1,219,006. In connection with this transfer, it will be remembered that the valuation of the fleet was arrived at by three assessors, but no mention is made of the basis of the transfer. Following is a summary of the balance-sheet figures for the past three years:—

	1911. £	1912. £	1913. £
Capital	500,000	750,000	750,000
Fund for depreciation, etc.	516,481	572,333	—
Reserves	—	—	715,779
Fund for equalisation divs.	—	—	57,000
Superannuation fund	—	—	30,761
Profit and loss balance	83,237	123,564	212,519
Bankers	—	85,854	—
Other liabilities	61,534	154,662	265,216
	1,191,252	1,686,404	2,031,275

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a new company, entitled Australian Steamships Limited, with a nominal capital of £2,000,000, was registered at Melbourne to acquire from the company, as at midnight on 31st December last, its business of steamship owner, together with the steamers, tugs, lighters, and plant, as well as certain share holdings in other steamship companies. . . . Their valuation is to be satisfied by fully paid-up shares of the new company. The valuation is now being made, and is expected to considerably exceed the value at which such assets stand in the company's books. The Directors constitute the first board of Australian Steamships Limited, and the company has been appointed managing agent of that company."

Howard Smith and Co. Ltd. own the whole of the shares in the Australian Steamships Limited; they are its managing agents; the offices and staffs of the two companies appear to be the same; the directorates contain the same names; the steamers of the shipping company carry the coal for Howard Smith and Co. Ltd.: the annual meetings of the two companies take place at the same time and place.

In referring to the annual meetings of these companies held in March, 1914, the Melbourne daily press said:—

"Doubtless on the principle of letting well alone, shareholders in companies that are prospering seldom attend on the few occasions on which they are invited to meet the Directors, and such was the experience yesterday of Howard Smith Co. Ltd. Hardly sufficient members were present at the statutory meeting to transact the formal business, and no questions whatever were asked; to all intents and purposes the proceedings recalled a first-class performance by marionettes."

Following on the meeting of Howard Smith and Co., the report and balance-sheet of the Australian Steamships Limited were read. The following is the report of the speech of the chairman in referring to the operations of the company:—

"Mr. H. B. Howard Smith, who presided, expressed regret on behalf of the board that the results of the operations for the year did not justify the payment of a dividend of more than 4 per cent., which was not an adequate return for a somewhat speculative investment, such as a shipping business. The comparatively poor result, whilst to some extent attributable to the small-pox epidemic at Sydney, reducing the revenue from passage money, was mainly caused, on the one hand, by heavy increases in wages paid both ashore and afloat, and, on the other hand, by the reduced hours worked. In this connection the directors viewed with concern the present heavy demands which were being made by nearly all sections of its employees, and which, if granted, must compel owners, in self-preservation, to seek increased rates of freight and passage money, although such increases might result in a possible diminution and diversion of traffic. The two new

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Summarised, the profits in the 3 years, 1908, 1909, 1910 are:—

Dividends	£183,851
Increase of surplus assets	72,240
Increase in reserves and capital A/c	46,545
Total disclosed profits for three years	£302,636
Or annual disclosed profits	£100,878

The actual disclosed profits, £100,878, made on a capital of £507,175, represents a profit at the rate of 20 per cent. per annum. But this is taking the company's estimate of its own assets, which show a decrease in value of the fleet from £8 8s. 11d. to £5 3s. 5d. per ton, figures difficult to explain in view of the addition of many new steamers. If revenue were not used to write down assets the rate of profit would have been considerably higher.

S. C. Ward and Co. in their monthly financial publication said that the declared assets "look to be hiding a lot that is of advantage to shareholders." . . . "It is a pity the company does not publish a profit and loss statement, but it is evident that the omission is due to no reason which would have the effect of injuring the company's shareholders."

In 1908 the nominal capital of the company was £507,175. How much of this amount was cash subscribed by shareholders, and how much was transferred from reserves derived from profits, it is impossible to say. At any rate, in December, 1908, this capital was watered with £202,830 by transfers from the Renewal and Insurance reserves, and thereby the amount of capital was brought up to £710,045. On this amount the dividends have since been paid.

During the past few years the company has been exceptionally unfortunate in sustaining the total loss of two of its finest steamers, and during the year ending 30th June, 1913, three other steamers met with severe accidents, which necessitated very extensive repairs. Owing to the fact that the insurance and repair reserves were depleted in 1908 by capitalising nearly £200,000, the losses of steamers and cost of repairs have had to be met out of profits, which have also had to provide a very considerable part of the increase in new tonnage necessary to cope with the increase in Interstate trade. No new capital has been called up.

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The following figures give the financial position of the company during the past few years:—

	Net Profit.	Dividends.	Insurance Account.	Repairs and Renewals A/c.
1907- 8	£51,850	£50,717	£144,000	£121,000
1908- 9	61,242	62,130	20,000	65,000
1909-10	69,441	71,004	30,866	70,154
1910-11	72,241	71,004	21,000	75,000
1911-12	57,852	56,803	10,000	80,000
1912-13	24,874	21,301	15,000	100,000

Assets—

The assets and liabilities of the company during 1911-12-13 compare as follows:—

	June 30th, 1911.	June 30th, 1912.	June 30th, 1913.
Steamers, properties, shares, etc.	£684,859	£998,164	£1,231,172
Cash	35	59	40
Other assets	234,284	158,286	136,229
Liabilities—			
Unused tickets	10,109	7,707	10,196
Sundry creditors	64,615	323,507	524,679

Owing to large additions to the fleet, a temporary increase has taken place in liabilities to sundry creditors, as no profits could pay for three new passenger steamers and two cargo steamers which were purchased in 1912 and 1913. The cost of this additional tonnage is considerably more than the amounts due to sundry creditors, and as there is no mention of an increase in capital, it is presumed that these will be paid off out of profits.

That the disposal of profits is not fully explained, even to shareholders, can be judged by the following report of the meeting of shareholders:—

> Mr. A. Adamson, a shareholder, asked, "why the shareholders had not a definite financial statement before them. The balance-sheet should show them the trading account in the first place; and, in the second place, the profit and loss account, and then the balance-sheet. The whole of the statement should not be lumped together. The balance-sheet is in a different form to any of the other companies' balance-sheets I have seen."
>
> The Chairman: "I wish to point out to Mr. Adamson that the balance-sheet is in accordance with the articles, and has been in that form since 1901."
>
> Mr. Adamson: "Well, with all due deference to you, Mr. Chairman, I think the articles should be altered."

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The explanation given by the Adelaide Registrar, 30th September, 1913, for withholding detailed information was as follows:—

> "Meagreness of detail in reference to revenue, and the bald summarisation of the profit and loss account in the balance-sheet proper, are features by no means singular to this concern. Keenness of competition and consequent necessity to cover up working details so far as practicable are the main excuses urged in defence of the practice."

This explanation is somewhat at variance with the action of the Howard Smith Co. Ltd., a competing and rival company, which appointed Mr. E. Northcote (General Manager of the Adelaide S.S. Co.) and Mr. D. Y. Syme (Chairman of Melbourne S.S. Co.) to inspect the company's assets and fix their value on the transfer of their shipping business to the Australian Steamships Ltd.

Summing up the financial position of this company, it is probable that after allowing for the amounts used to write down freehold property, coal shares (their value is probably increasing), and the large sums used to pay for new tonnage which is every year added to the fleet, the real profits, except in years when there is an abnormal amount of shipwreck to be paid for, would amount to 25 per cent. or 30 per cent. on the capital as it stood in 1900.

Huddart, Parker & Co. Ltd.

Up to 31st December, 1911, Huddart, Parker and Company (Proprietary) was a private firm. It was formed in 1897 by J. Huddart, Messrs. Parker, T. L. Webb, and J. Trial, who had previously carried on business as a partnership. The proprietary company had a nominal capital of 60,000 £5 shares, but on the 29th September, 1905, the 60,000 shares were watered by 30,000 new £5 shares allotted out of £150,000, which was transferred from the Reserve Account to the Capital Account.

The principal holders of these 90,000 shares were in 1910:—

Executors of T. J. Parker	25,850
Members of the Parker family	6,100
John Trail	11,250
T. L. P. Webb	16,800
Members of the Webb family	10,000
W. T. Appleton and others	13,750

The Huddart, Parker fleet in 1911 totalled 48,657 tons. Of this 30,000 tons must have been added within the pre-

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Liabilities at July 1, 1911.

Shareholders of Vendor Co. for amount lodged on deposit	£201,642
Sundry creditors, including unexpired portions of tickets, etc.	55,177
Reserves for contingencies, etc., provision for dividend account for half-year	55,858
Superannuation Fund	3,385
Total	£316,063
Surplus of assets over liabilities	£751,403

Analysing these statements, it will be seen that if the £201,642 shareholders' deposits—money that was no doubt made out of the business and invested in it—be added to the net surplus of assets, a total of some £950,000 is arrived at. Assuming that the fleet was worth £350,000 in the year 1900, it would appear that £600,000 of profits have been transferred to the capital account and put into new ships. This would mean a total of something like £55,000 per annum in addition to the dividends which the owners actually drew out of the business, and which were probably not less than £25,000 per annum. These considerations, therefore, confirm the estimate of a profit of some £70,000 per annum made on a nominal capital of about £300,000 in 1900. The Australian public, through high freights, fares, and coal prices, built up two-thirds of the assets during the 11 years previous to 1911. On this date they were given an opportunity to buy a share in these same assets, but at such a price that only 7 per cent. was returned in interest during 1912, whereas the vendors had been previously making 20 to 25 per cent. on the nominal capital of the proprietary company.

Other Interstate Shipping Companies.

The Australian United Steam Navigation Co.

This company is associated with the British India Co. Whilst charging similar freights and fares, does not disclose such large profits as the companies previously dealt with. Whether this is the result of the company not indulging in the coal trade or not, it is difficult to say.

The Union S.S. Co. of New Zealand.

This company does not participate to the same extent in the Australian trade as the companies above-mentioned, but it has a complete monopoly of the New Zealand coastal trade. The Union Co. maintains a 10 per cent. dividend

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and waters its stock as reserves accumulate and profits become inconvenient.

The following is a report of the position of the Union S.S. Co. for the year ending 1913:—

"The issued capital on 30th September, 1913, was £800,000, while 200,000 shares of £1 each were offered to the shareholders early this year at a premium of 10s. per share, thus raising the capital to £1,000,000, and adding £100,000 to the reserves. Owing to its good fortune as regards serious accidents, the company has accumulated a large reserve fund, which amounted on 30th September, 1912, to £520,866, while other reserves have also been established. Capitalisation of reserves is to take place to the extent of £1,000,000; or, in other words, the capital of £1,000,000 in the existing company will be replaced by a capital of £2,000,000 in the new company, the shareholders receiving one preference and one ordinary share for each share now held. The authorised capital will be £3,000,000, and the issued capital under the foregoing arrangement will be £2,000,000, comprising £1,000,000 in 5½ per cent. cumulative preference shares, and £1,000,000 in ordinary shares. The new company is to take over the assets and liabilities of the existing company."

Messrs. McIlwraith, McEacharn & Co.

This, the only remaining private firm actually in the combine, is a very profitable concern. What profits are being made it is impossible to say, but it may be mentioned that two steamers of 10,000 tons each were added to the fleet. Dividends at the rate of 10 per cent. have been maintained.

The Melbourne S.S. Co.

This company was formed in 1895 by the amalgamation of three small businesses; it was given a capital of £75,000 based on the valuation of its assets. About the year 1910 a further £20,000 was subscribed, and in the year 1912 an additional £34,000 brought the total capital actually paid to £135,800.

The following figures summarise the way assets have increased:—

	Dec., 1904.	Dec., 1912.
Steamships, etc.	£127,118	£330,090
Other assets	49,052	53,189
Liabilities	12,796	53,436

The company has therefore steamships and other non-liquid assets standing at £330,090 to represent its £135,800 of actually paid capital.

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In addition to this capitalisation of profits, dividends varying from 15 per cent. to 22½ per cent. per annum have been paid continuously. Allowing for both dividends paid, and profits devoted to new steamers, the profit, after allowing a reasonable amount for depreciation, has been in the neighbourhood of 25 per cent. to 30 per cent. on the capital actually subscribed. During 1912 and 1913, owing to complete overhauls being given to practically the whole of the fleet, the dividends have not been as large.

The steamers of this company are not so large nor is its trade so extensive as the other companies mentioned. Moreover, the Melbourne S.S. Co. quotes slightly cheaper freights and fares. In these circumstances it cannot be said that the company, whilst being a member of the Commonwealth Steamship Owners' Association, is a member of the combine. However, it appears to work in perfect agreement and with interchangeability of tickets with the other companies, and it makes almost as great a proportion of profit.

This review of the Interstate shipping trade would not be complete without mentioning one or two small colliers belonging to Messrs. J. and A. Brown, which at slightly lower rates than are quoted by the larger companies carry small quantities of cargo between Adelaide, Melbourne, and Newcastle. It should also be mentioned that Scott, Fell & Co., of Sydney, obtained a contract in January, 1914, with the Broken Hill Pty. Co. for the conveyance of coal and ore between Newcastle and Port Pirie, a trade just sufficient in itself to keep one or two steamers going. With these exceptions, however, the whole of the Interstate shipping trade is in the hands of the associated companies.

Distribution of Profits.

No information being available as to the nature of the agreement between the various Interstate shipping companies, it cannot be said that the profits of the companies are pooled and divided on any basis. It appears, however, to be in the understanding that the freights and fares shall be such, and the trade divided so, that each member of the combine gets about 25 per cent. on the capital, as it stood in 1901. About this year the cessation from competition and the raising of freights, fares, and coal prices to the general public was brought about by forming what is virtually a shipping and coal ring. Of this 25 per cent. each company apparently has paid about 7½ per cent. in

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dividends and put 17½ per cent. into new steamers and other profitable security. By this means the assets have nearly doubled during interim, whilst little additional capital has been called up.

The Combine's Methods.

Deferred rebates were the means by which the combine was formed, and, by continuing them, the companies obtained a monopoly of the Interstate shipping trade. The system was comparatively simple. Up to 1911 a rebate of 10 per cent. was given (but not guaranteed) to every shipper who during the twelve months previously had shipped cargo to Interstate ports by no other steamers than those owned by the associated companies. By instituting deferred rebate payments, each shipper had to be faithful and subservient to the associated companies for a year before he may get the rebate. The rebate on cargo shipped in, say, January, 1909, was only paid in January, 1910, after careful search has shown the shipper had not sent cargo by an "unfederated" steamer. Needless to say, no one would sacrifice a rebate of 10 per cent. on a year's freight.

This system of rebates was in force until the end of 1910, when it was discontinued. The motives actuating the discontinuance were probably to be found in one or other or all combined of the following reasons:—

(1) The associated companies felt by this time sufficiently immune from any new opposition.

(2) An increase of profits from freights was desired, and this was the simplest way of obtaining it.

(3) The fear of action under the Anti-Trust Laws and the desire not to give the Labour Party any lever to institute legislation for restrictive regulations or for nationalisation.

At any rate, during the first week in December, 1910, shippers of cargo to other States were informed verbally that on and after a certain date no further rebates would be allowed. This news was conveyed not by circular letter, as any ordinary business notification would be, but by clerks sent round by the various shipping companies.

The system of rebates had done its work. Competition had been killed. Even after it had been abolished, no new shipping company could start and run lines, because there was no guarantee that freight rates would not be cut between the particular ports where opposition was, and that

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the rebate system would not be reintroduced. It was, and is, impossible for shippers to act independently of the associated shipping lines, because no new shipping company could provide communication with all ports.

B. H. Morgan, in his "Trade and Industry of Australasia," 1910, says in respect to the Australian coastal trade:—

> "The Australian coastal shipping trade between Fremantle and the Eastern States is entirely in the hands of six Australian companies, and is run strictly on the 10 per cent. rebate system. The Interstate companies, however, do not claim to pay freight rebates, but what they term 'bonuses,' and they will sign no agreement."

The Increase in Freight and Fare Rates.

The freights charged before the combine was formed, and subsequently, are difficult to compare, as so many differentiations are made with the various classes of cargo. The following figures will indicate the way in which freights have been raised:—

Approximate Average Freights Per Ton Measurement.

	Before the Agreement.	After the Agreement. 1910.	1913.
Melbourne to—			
Sydney	5/-	10/-	12/-
Brisbane	10/-	15/-	18/-
Adelaide	5/-	10/-	12/-
Rockhampton ..	20/-	25/-	30/-
Townsville	25/-	27/-	32/6
Launceston	8/-	10/-	12/-
Fremantle	6/- to 12/6	12/6 to 22/6	15/- to 27/-

The increase in the fares charged by the Interstate steamship companies is just as apparent. It was possible before the combination to go from Melbourne to Sydney or Adelaide for £1 10s. saloon and 10s. steerage; now a passenger has to pay over £2 10s. and £1 respectively. Ten years ago a saloon passage from the Eastern States to Fremantle could be had for £5; now a ticket costs £8, and steerage rates have increased proportionately. Between every port in Australia the steamer fares have increased 50 per cent. to 75 per cent. during the past 14 years—the period during which the combine has been in existence.

It can be justifiably urged that the accommodation and speed of the Interstate steamers are far superior to what they were in 1900. But these new steamers have been almost wholly paid for by the public themselves through contributing abnormally high freights and fares, and paying excessive prices for coal.

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a maximum. Thus Mr. E. Northcote (Chairman of the Commonwealth Steamship Owners' Association) says in January, 1914:—

> "One of the most serious aspects in connection with the maritime industry is the effect, owing to the high cost of running steamers (necessitating relatively high freights) on the volume of traffic. Take such a commodity as cement, for instance. High freights limit the distribution of Australian cement along the coast line, and they enable foreign made cement to be delivered at each of the ports where we are in competition with oversea steamers. This is only one illustration of many articles that are affected in this way. Manufacturers in one State prefer to have factories in different States, and save the cost of transport. Malsters are also induced to erect new malt houses at various ports rather than incur the cost of transportation from one port. In connection with many industries there is a point beyond which it does not pay to ship materials."

In other words, as far as the public is concerned the advantages of Interstate free trade are rendered almost nugatory, and complete stoppage of trade is the only deterrent to raising freights still higher. The Melbourne "Argus," in referring to the probable increase of freight rates hinted at by Mr. H. B. Howard Smith at the July, 1913, meeting of the Australian Steamships Ltd., says:—

> "It is pointed out that freights are now 10 per cent. higher than they were about two years ago, there having been two increases, each of 5 per cent., during that period. This increase applies to the cost of carriage generally, but in some instances the increases have been as high as 50 per cent."

Profits Made Through the Newcastle Coal Strike.

In conjunction with their shipping businesses, several of the associated shipping companies carry on trade as coal merchants, in conjunction with the collieries of the Newcastle Coal Vend. In their capacity as coal importers into Victoria and other States, they, and one or two other merchants owning small collieries, have established what is virtually a coal ring in the principal cities. The result has been that coal selling at 11s. per ton on the wharf at Newcastle is retailed up to 29s. per ton in Melbourne. How much of this profit is taken by the shipping companies, and what is taken by the Newcastle colliery, can be gathered from Chapter 6.

An incident in connection with the great Newcastle coal strike should, however, be recorded. Almost immediately after the strike was declared, the price of coal was raised in Melbourne, Adelaide, and other cities to £2, and then £3

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per ton, and in newspaper interviews the Newcastle coal merchants, who are almost exclusively the shipping companies, declared their inability to supply coal for more than a few days, although they had considerable quantities of coal at their various depots. By raising the price and virtually cornering what supply of coal there was, the shipping companies, who had the coal stored in the chief cities, made huge profits. On the assumption that there were 50,000 tons stored, probably the greater part of £100,000 profit was made out of the strike by the shipping companies and a few others associated with the Newcastle Coal Vend. Another incident should be recorded. The high price of coal was used as an excuse for raising the freights and fares all over Australia 15 per cent. to 25 per cent. during the strike, and for some little time afterwards. No doubt the coal consumed by the steamers running was being retailed by the shipping companies in their capacity as coal merchants at £2 or £3 per ton, but not a ton of the slack coal consumed by the steamers during the whole of the strike cost more than the ordinary selling price of bunker coal.

Although much was said by the shipping companies of losses of trade by the strike, as a matter of fact they could not have amounted to much, as cargo not carried during the strike had, perforce, to be subsequently carried.

Relations Between Associated Shipping Companies and Employees.

The various Labour Unions connected with the shipping trade know a monopoly in the Australian Interstate trade has been established, and that large profits are being made by the shipping and stevedoring companies. Demands are made for increased wages. The companies oppose the demands as long as possible, but compromise or accept them rather than have a strike or trouble that would lead to such inquiry as would publicly show the actual profits earned. The companies then use the increase in labour rates as an excuse to increase freight rates, and in most cases probably increase them in a greater ratio than costs of transport have been increased. In other words, the employees use the high profits made as showing more wages could be paid; the employers use the excuse of higher wages to increase freights. Both are better off as a result, but the public have to pay it all.

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On the 29th September, 1913, the twenty-seventh ordinary general meeting of shareholders in the Adelaide Steamship Co. Ltd. was held in the board-room of the company, Currie Street, Adelaide. The Chairman of Directors, Mr. J. Harvey, who presided, stated:—

"That he very much regretted to have to report that the trading results for the financial year had not been satisfactory. The volume of traffic had not only been well maintained—in fact, it had increased—but owing to the enormously increased cost, direct and indirect, of running steamers and working of cargo they had reaped no material benefit. As an illustration, he might say that the money they received from freights owing to increased traffic amounted to £23,470, whereas the increase in the cost of wharf labour only in connection with it during the same period had been £23,698. He had on previous occasions referred to the increased expenditure which had been imposed upon the shipping industry, and they might naturally ask, 'Why do you not adjust freights correspondingly?' There were many disturbing factors to be considered before alterations could be made, and it took some time to bring them into force; while it must be remembered that a great deal of the work done by the ships was carried out under contract. They might rest assured, however, that these adjustments were being made from time to time as quickly as circumstances would permit and present contracts expired, although no sooner did they think they knew exactly what their fixed charges were going to be than they were faced with yet other claims which had to be considered, so that it was impossible to know when finality was reached."

Taking the case of the Waterside Workers' Federation, this union of wharf labourers in January, 1914, approached the associated shipping companies for further increases in wages. The rates up to then in force had been arrived at by agreement, and were generally considered far above that paid generally for unskilled labour. They were as follow:—

	Rates Per Hour.	
	Ordinary.	Overtime.
Melbourne wharf labourers ..	1/5	2/1½
Port Phillip stevedores	1/6	2/3
Sydney wharf labourers	1/6	2/3
Adelaide wharf labourers ..	1/5	2/3

Other wages include 2s. 3d. an hour for working special cargoes, 2s. 4d. in freezing chambers, 3s. for explosives, and 2s. 3d. for coal and coke. Freezing chamber workers in Melbourne are now paid 1s. 8d. and 2s. 4½d., and men handling explosives 2s. an hour.

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The following principal demands were made up by the Waterside Workers' Federation at a conference with the ship owners: —

(1) That the ordinary rate of wages shall be 2s. per hour.
(2) That the rate of wages for special cargoes shall be 2s. 3d. per hour, freezing chambers 2s. 4d., and explosives 3s.
(3) That time and a half be allowed for overtime.
(4) That double time be paid from noon on Saturday until midnight; from midnight Saturday until midnight Sunday, 10s. per hour; and from midnight Sunday until 8 a.m. Monday, double time on the rates adopted.
(5) That Sunday, Christmas Day, and Good Friday the rates of pay shall be 10s. per hour on all cargoes, and 16s. per hour on explosives.

The position in which the public were placed by the demands made upon the Interstate shipping companies by their employees is indicated by the following two statements:—

Mr. E. Northcote, Chairman of the Commonwealth Steamship Owners' Association, in refusing the demands of the Union, said, on 3rd January, 1914:—

"It is a popular idea that the Australian shipping industry is a very prosperous one, and while it is true that for a time we (I am speaking specially for Australian companies), in common with the rest of Australia, did well, I can assure you it is no longer the case; and indeed our profits have been largely utilised to build new vessels required to carry on the increasing trade of the coast."

To this Mr. W. Hughes, President of the Waterside Workers' Federation, replied:—

"What we are told by Mr. Northcote is this: That the companies cannot grant any more wages to the wharf labourers, because they want their profits to build new ships to grapple with the increasing trade. What better proof can there be than this that the industry is growing excellently well? If we wanted further proof of the hollowness of that excuse we should have it in the naif admission of Mr. Northcote that on previous occasions when increases were granted to the wharf labourers they had to increase their freights and fares in order to meet them. Practically, this is a cold-blooded declaration of the manner in which the public has been called upon to pay all increased wages in order that the ship owners' profits might remain intact. Now they parade their virtuous determination not to saddle the poor public with any further burden, and at the same time emphatically refuse to pay it

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themselves. So the position is that when the increases of pay could be passed on to the public, the ship owners readily granted them; but when they have to pay them themselves they refused point-blank, because they want them to build more ships."

The employers refused to consider the demand for the increased rate of wages, even after the principal claim was reduced to 1s. 9d. per hour, and suggested referring the matter to the Federal Arbitration Court. Contrary to their expectations, Mr. Justice Higgins granted the majority of the demands in the following award:—

"The Hourly Rates.—The minimum rate of wages to be paid to waterside workers who are members of the Waterside Workers' Federation of Australia, if they are employed by any of the respondents who are bound by this award, shall be (with exceptions hereinafter mentioned) 1s. 9d. per hour.

"Exceptions.—Extra rates for tropical ports of Queensland, for special cargoes, for coal in Melbourne and Hobart.

"Overtime.—For all duty in overtime payment shall be made at the rate of time and a half. But in the case of Sundays and holidays, or between 12 midnight and the usual time for starting in the morning, or on meal hours or smoke oh's, at the rate of double time."

The principle determining this award was, that any man was entitled to have a living wage of £2 12s. per week, and as only 30 hours per week were on the average worked, it was necessary to have a rate of 1s. 9d. per hour.

In justification for the award, Mr. Justice Higgins further stated:—

"All the employers who appeared, or were represented, have admitted that the industry can bear any rates that I may impose within the limits of the demand made in the log. No evidence has been offered on either side as to the effect on freight charges, and none but the employers can know the state of the business and the financial position of the undertakings. My attention has been called to statements in newspapers by stevedores to merchants, and by directors to meetings of their companies to the effect that freight charges and stevedoring charges must again be increased if the rate of pay be raised. It is my duty, I think, to warn the public that such statements have not been made to this Court, or tesed in evidence. If freights be hereafter raised, the raising should not be put down to the raising of the rate of wages without something better than ex parte statements appearing in the press—without close investigation of all the facts by disinterested persons. In Fremantle the charges for handling cargo have been raised, without any increase in the rate of wages."

The Melbourne "Argus," in commenting on the award, confirmed the fact that the increase of labour costs will be passed on by agreement, and said:—

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this was discontinued only after the desired effect of preventing other steamers running had been secured.

(5) That the freights and fares charged are exactly the same by all companies; even special quotations are identical.

(6) That there is no competition between the different lines running between the same ports for any tenders that may be called for any special service.

(7) It is always a matter of indifference amongst the steamship owners by what steamer cargo is forwarded.

(8) That the market price of the shares in the Interstate steamship companies has doubled and trebled in recent years, notwithstanding considerable watering of stock, and any increase in working costs little affect these prices.

(9) That dividends of from 10 per cent. to 15 per cent. have been consistently paid, even though the stock has been watered. Large additions have been made to the fleet without corresponding increases in capital.

(10) That the steamship owners have agreed to abnormally high rates of pay for wharf labour, and have passed the increase in wages rates on, the increase in freight rates being probably proportionately greater than the increase in wages.

(11) That the vessels employed and the services rendered are in every way superior to what were formerly provided.

(12) That the navigation laws of the Commonwealth have prevented any competition by outside ocean-going steamer.

(13) That the excessively high freights have greatly mitigated against development of Interstate trade, and have minimised the advantages of Interstate free trade, and have facilitated the formation of trusts and combines within a State, as the high shipping freights prevented Interstate competition in the manufacturing industries.

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The shipping companies, particularly the Interstate shipping companies, were, and are, the principal purchasers of coal at Newcastle, and their business was sought after by all the collieries. Notwithstanding the rules of the association, secret rebates were given by some members of the association to get this trade. To prevent this, the expedient was adopted whereby individual negotiation was eliminated, and "in future no single colliery was to treat with ship owners, and no single ship owner was to treat with collieries."

The terms of association between members of the Vend were finally decided on during 1906, and an unsigned document was agreed on as binding between the members of the association. The indenture, according to the judgment of Mr. Justice Isaacs, was between various coal proprietors and corporate bodies.

> "By its terms a Vend is established, that an allotment is to be made to the several members of a proportion in the aggregate trade in each year. The Board (of Management) is to fix the selling price from time to time of all coal raised from the mines, members being forbidden to dispose of the coal at lower prices than those fixed, and forbidden also to make any allowance, directly or indirectly, to any purchaser as commission, discount, or otherwise. A penalty is imposed for selling in excess of allotment, and compensation is given for deficiency in disposal of produce below allotment."

On 13th September, 1906, this agreement was finally fixed up, but not signed, as Mr. Simpson, legal adviser to the Associated Northern Collieries, according to the minutes of meetings, advised:—

> "That any agreement that might be signed would bring the proprietors under the provisions of the Australian Industries Preservation Act 1906, and, in his opinion, it would be more advisable to carry on our operations on the lines of the agreement already decided upon, but without any signed document."

Effects of the Combination.

The effects of the combination of colliery proprietors in the Newcastle district have been:—

(1) That the selling price of coal has been increased.
(2) That miners' wages have also been proportionately increased.
(3) That owing to restrictions on output, the choice of coal on the part of the public has been restricted.

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(4) Owing to the monopoly established in the Interstate trade, no new colliery owners can come into the Newcastle district.
(5) That certain mines have had the output restricted.
(6) That a great advantage has been gained to the industry generally by abolition of competition, and by the organisation of the selling of coal, allowing a more regular output of coal by the various collieries.

In regard to the increased selling price of coal on account of the action of the Coal Vend, the following figures are interesting, as showing the advantages that have been the result of combination and increased output. The year 1905 was probably the year of unrestricted competition, whilst by 1908 the Vend was firmly established, and was, moreover, not interfered with by strikes.

The total output of coal, according to the annual report of the Mines Department of New South Wales, increased from 4,645,742 tons, valued at £1,473,095, in 1905, to 6,511,002 tons, valued at £2,625,446, in 1908. During the same period the number of employees increased from 10,000 to 13,000. In other words, the creation of the Coal Vend and increased output led to the colliery proprietors in the space of three years getting twice the revenue, whilst they only employed one-third more miners.

It is probable the increased output resulted in a decrease in the working expenses by perhaps 6d. to 1s. per ton, an amount which considerably exceeds any increase there has been in the hewing rate or wages paid.

Analysing the statistics given in the report of the Mines Department, the following figures are obtainable:—

	Tons raised per person employed.	Selling price of coal.	Value of coal produced per person employed underground.
Before combination (1905)	562	6/4	£176
After combination (1908)..	647	8/1	£261

Comparing the years 1905-1908, it is seen that an additional 85 tons of coal per employee were raised. This represents nearly 15 per cent. increase in the efficiency of the mining population of Newcastle.

This increase in the efficiency of the employee is a direct gain to the community. There can be little doubt that much additional profit has gone to the coal mine owner, but the

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more regular output has enabled the mines to be much more efficiently worked, and the elimination of competition has enabled many economies to be made in office and other expenses incurred in the disposal of coal. A regular and determined-on output has enabled the mines to be systematically developed and opened up.

On the other hand, the increase in the selling price of coal and the restriction in choice of coal available are matters that are seriously detrimental to public interests.

The following statistics, giving the selling prices of coal in the various districts of New South Wales, are from the Commonwealth Year Book. The effects of the several selling agreements and the open competitive period about the year 1905 on prices, will be seen by comparison with the selling prices of coal in other districts:—

Year.	Northern District.	Southern District.	Western District.
	s. d.	s. d.	s. d.
1901	8 4.19	5 3.28	4 9.78
1902	8 4.49	5 9.33	5 0.73
1903	8 1.04	5 8.12	5 0.14
1904	7 2.10	5 7.25	5 1.91
1905	6 4.15	5 5.03	5 0.15
1906	6 5.28	5 6.60	4 10.81
1907	7 4.41	5 7.44	4 6.90
1908	8 0.78	5 10.91	4 5.52
1909	8 3.48	5 11.91	4 9.34
1910	8 1.44	6 1.76	5 5.56
1911	8 0.13	6 1.88	5 0.72

It will be observed that the selling prices of coal in the two coal districts not within the Vend remained about constant, or with only a slight rise, which probably kept pace with the increase in the cost of production, which would be a constant for the three New South Wales coal districts.

Mr. Justice Isaacs found in 1911 that:—

> "In 1907 the price was 6d., and in 1908 and afterwards 1s. in excess of what it would have been in Australia but for the combination."

The agreement between the various members of the Vend, that each colliery should have a fixed output for the year, necessarily entails restrictions in choice of coal by users. The penalties and compensations that were to be paid in cases of collieries which increased or decreased their output respectively above or below the statutory limit were originally fixed at 4s. per ton, when the selling price was 10s. per ton, and 3d. variation for every variation of 6d. in the selling price. Later, in 1908, the penalty rate was

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fixed at 2s., and the compensation rate at 1s. per ton. These were finally, in 1909, fixed at 1s. 6d. per ton for both penalty and compensation. These lower rates of penalties allowed the certain amount of latitude necessary to prevent public discussion.

The immediate reasons which led to the combination of the Northern Collieries into a Vend was the necessity to organise the industry so as to maintain a regular and payable output from the various collieries, and to take united action in trade disputes with employees. These reasons virtually forced combination on the colliery proprietors. The raising of prices, whether it was an actuating motive towards combination or not, naturally followed. As to whether the prices charged are excessive, the whole of the circumstances should be considered before decision can be arrived at. The capital outlay, the life of the mine, the working costs, and the dividends paid determine what is a reasonable price.

Whilst many of the original proprietary companies and individual owners in Newcastle district have done well by mining coal themselves, and from royalties, it is probable that many coal mining companies have not paid, and are not returning an amount of dividend commensurate with the nature of the investment. This point was not apparently taken into the fullest consideration in the delivery of judgments as to the unreasonableness or otherwise of the prices charged for coal by the associated collieries known as the Coal Vend.

Agreement Between Coal Vend and Interstate Shipping Companies.

The formation of the Coal Vend in the Newcastle district has had much to justify it, and in itself would probably have been an advantage to all concerned. The agreement between the Coal Vend or the Associated Interstate Shipping Companies, in their capacity of coal merchants, is, however, of another nature, and from a public point of view has little to justify it.

Owing to the superior quality of the Newcastle coal, it has had more or less of a monopoly of the Australian interstate trade. This trade has been carried on by various shipping companies and two of three coal merchants owning a few small steamers. The companies were the Adelaide S.S. Co., Howard Smith and Co., Huddart Parker and Co., McIlwraith, McEacharn and Co., and the Melbourne S.S.

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Co. Originally they acted merely as carriers of coal; then in addition they established coal depots and became coal contractors. Competition was open. The agreement with the Associated Collieries, however, put an end to direct dealing between colliery owner and purchaser, and as a result the various shipping companies, together with James Paterson and Co. and J. and A. Brown, were thereby virtually given a monopoly in the sale of Newcastle coal outside of New South Wales. These companies were constituted "purchasing agents" by the Newcastle Coal Vend.

The colliery proprietors adopted on 3rd April, 1906, a scheme which included the following proposal:—

> "That no coal will be sold by the Association in the Commonwealth (New South Wales excepted) except to the Steamship Companies (Adelaide S.S. Co., etc.) set forth in the proposed agreement for carriage."

The idea of this proposal was put into an actual agreement, which, according to evidence produced at the hearing of the case against the Associated Northern Collieries, had the following principal clauses. It is a noteworthy feature of this agreement (which was subsequently in force) that it was never signed:—

A. "The Vendors (The Associated Collieries) agree to sell to the purchasing agents (the four shipping companies, viz., Adelaide S.S. Co., Howard Smith and Co., McIlwraith, McEacharn and Co., Huddart, Parker and Co.), the whole of the coal which may be required by the purchasing agents to supply the trade of the States of Victoria, South Australia Western Australia and Queensland."

B. "The Vendors will, so far as practicable, forward to the purchasing agents the coal from the particular colliery required by the purchasing agents, and, failing that, then coal from one or other of the collieries of the same class. . . . Provided, however, that in no case shall the Vendors be called upon to deliver coal from any colliery that has reached the limit of output assigned to it by the Vendors under any agreement existing between the collieries."

C. "All coal shall be delivered by the Vendors to the purchasing agents f.o.b. . . . And the prices to be paid for the various classes of coal shall be fixed by the Vendors annually."

D. "The Vendors agree not to supply any coal for consumption in any of the States (Victoria, South Australia, Western Australia, Queensland) except to the said purchasing agents."

E. "The purchasing agents 'shall not purchase, sell, or deal in directly or indirectly or engage directly or indirectly in, or share the profits of the carriage of any coal other than that purchased by the purchasing agents from the Vendors.'"

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There were certain provisions allowing some of the shipping companies to use certain quantities of bunker coal from the Southern Collieries, and a few other minor exceptions, but otherwise the penalties that were to be paid provided that 4s. per ton had to be paid by the purchasing agents to the Vendors for every ton purchased in violation of the agreement. Another clause provided that the purchasing agents shall not sell coal at higher rates than certain amounts above the f.o.b. price at Newcastle, but a provision was made in the case of sales of large coal in lots of less than 10,000 tons in any one year the purchasing agents were allowed to sell at 3s. per ton advance on the fixed rates if they so desired, provided the additional price was credited to the collieries supplying the coal. In all cases, however, all wharfage, cartage and other dues could be added to the selling price.

The reason for fixing the selling price in this manner was to place the various shipping companies in the position of agents rather than purchasers. Clause 11 of the agreement is as follows:—

> "In the event of the purchasing agents without the Vendors' consent re-selling any coal at prices in excess of the maximum prices fixed for the time being in terms of this agreement, they shall account to the Vendors for the difference between such maximum re-selling price and the actual price at which any such coal shall be re-sold."

Whilst apparently this clause would be beneficial to the public in that it restricted the maximum selling rate, yet it must be regarded as a quid pro quo for giving to these shipping companies a virtual monopoly of the interstate coal trade; and as these various companies held considerable interests in the Associated Collieries, the clause did not amount to much restriction in the profits which they (the shipping companies) could make.

Furthermore, as the cost of carriage and other charges could be added in making up the selling price throughout the various States, the restriction in the selling price did not prevent high profits being made by the shipping companies who were their own carriers.

The primary detriment to the public on account of the monopoly in Newcastle coal established by the agreement between the Coal Vend and the Associated Shipping Companies lies in—(1) the increased prices that have to be paid; (2) dependence on the associated companies in matters of quality. The shutting out of others from a lucrative trade, whilst a detriment from their particular point of

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view, is only a real detriment to the public in so far as a competition that might lower prices has been prevented.

Excessive Price of Interstate Coal.

A vast amount of evidence in regard to the increased price of coal was given in the case against the Shipping Companies and Associated Collieries for infringement of the Anti-Trust laws of the Commonwealth.

The following figures mentioned in the judgment will give an indication of the rise in the prices of coal per ton on the consummation of the agreement between colliery proprietors and shipping companies:—

Purchaser.	Before Agreement.		After Agreement.		
	1905.	1906.	1907.	1908.	1910.
Victoria—					
Footscray Gas Co.	14/9	—	18/6	19/9	—
Australian Paper Co. ..	—	13/6	18/6	21/-	20/9
Melb. Harbour Trust ..	—	11/6	15/3	17/9	17/9
Victorian Railways.. ..	10/6	—	14/1	—	15/5
Melbourne City Council	—	13/6	18/3	20/10	20/4
Forts, Pt. Phillip Heads	17/-	—	28/-	—	32/9
Sunbury Asylum	19/-	—	25/3	27/3	—
Retail Dealers, Melb. ..	—	14/9	21/-	22/-	21/6
S. Australia—					
Retail Dealers, Adelaide	17/-	17/-	24/6	26/-	26/3
S.A. Government	18/5	—	25/7	27/2	27/3
Adelaide City Council ..	—	18/5	26/3	27/9	28/-
S.A. Railways	—	11/9	—	17/6	17/-
W. Australia—					
Perth Gas Co.	17/6	—	—	21/-	—
Perth City Council	—	23/-	26/8	—	28/8
Queensland—					
Townsville Harbour ..	18/9	20/6	23/-	25/-	25/-

These prices, which are all for large coal, include delivery at the coal bins of the purchaser, and would have to be corrected for any increase in the cost of cartage, etc., during the period. This increased cost, however, would be infinitesimal compared with the increase in the contract rates. The f.o.b. price per ton for coal at Newcastle increased from 7s. 6d. in 1905 to 10s. in 1907, and 11s. in 1908. Mr. Justice Isaacs, in reviewing these increased prices, said:—

> "That in 1904 the defendants were only getting down towards reasonably competitive prices to the consumer, and that in 1905, though the net f.o.b. levels were somewhat lower than fully adequate prices warranted, yet the ultimate prices charged to the consumer, i.e., when the shipping companies had added their freight charges, were on the whole nearer a reasonable standard—nearer a reasonable, effective, competitive standard than in 1904. Even if the various steps of calculation in the intricate circumstances before us were reduced

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in amount—and considerably reduced—there is such an enormous margin of excess, and so many circumstances concurring in the same result, that I would entertain no doubt whatever the public have borne, are bearing, and will, unless the combination is restrained, continue to hear a heavy detriment in regard to the cost of coal attributable entirely to the existence of the defendants' combination."

The Chief Justice, in reviewing the case on an appeal, said in reference to the selling price of coal by the various shipping companies in the various States:—

"In this case, therefore, as well as that of the f.o.b. prices, we find no foundation in the evidence for the conclusion that the prices asked and received by the coal merchants were unreasonable in any sense of the word."

This view was upheld by the Privy Council on further appeal.

In the face of diverse judgments, based on exactly the same evidence, it is impossible to say to what extent the price of coal has been unreasonably excessive. Only a careful analysis of the profits of all concerned can determine that point, and that, apparently, has not been made. In another part of this work the profits of several of the shipping companies are analysed, and show that they are making somewhere in the neighbourhood of 25 per cent. on the capital outlay. It is impossible to say how much of this large profit was derived from shipping, and how much from the coal business; the only thing certain is that the shipping companies have got the profit, and the Australian public have found the money.

Restraint of Trade.

That firms were forced out of the coal trade is one of the principal injuries that has been done by the combination between the shipping companies and the colliery owners. Messrs. Scott, Fell and Co., in 1903, had a considerable fleet, and were engaged in the interstate coal trade. The agreement between the Associated shipping and colliery companies prevented this company obtaining supplies, as the following evidence will show. In September, 1906, Messrs. Laidley and Co., notwithstanding the idleness of their colliery, were prevented supplying Scott, Fell and Co.; other colliery companies who were asked for quotations referred them to the shipping companies as their agents. Whilst no direct refusals to supply coal were given by the Associated collieries, a letter by Messrs. Scott, Fell and Co., to the Caledonian Colliery reading:—

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"We also understand you to say that on no consideration would you supply us for the Interstate trade. Please reply whether we are correct in this assumption."

remained unanswered.

In these circumstances, Scott, Fell and Co. were forced out of the Interstate coal trade.

Summary.

Summarising the effect of the combinations in the Newcastle coal trade, it appears that the actual selling price, f.o.b. Newcastle of 10s. to 11s. per ton is not excessive, and this is proved by the fact that with these prices it is possible to compete in foreign trade. It is also probable that the colliery proprietors are not getting, on the whole, an unreasonable return for the money invested with coal at this price. There can be little doubt that the whole Newcastle district has been improved from every point of view as a result of restricted competition and improved prices. In this respect the combination has been beneficial. When one considers, however, the abnormal additions to price in all States where the associated shipping companies have a monopoly of the coal supply, it appears that here unreasonable profits are being made by someone in the carriage and distribution of coal for Victoria, South Australia, West Australia and Queensland.

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CHAPTER 7.

Some Combinations of Manufacturing Companies.

(*a*) *Jam Manufacture in Australia.*
(*b*) *The Brewery Combine.*
(*c*) *The Nail and Barbed Wire Combine.*
(*d*) *The Artificial Manure Manufacturers' Combine.*

(*a*) JAM MANUFACTURE IN AUSTRALIA.

Up to within a few years ago there was little organisation of the Jam Trade in any part of Australia. The industry was carried on by small and competing factories, and generally the price of jam was lower, though the quality may not have been as good as it is now. A fruit grower as a rule must sell his fruit the moment it is ripe, and although his position was always one of helplessness in the hands of jam manufacturers and fruit merchants, it was considerably better when there were many competing factories wanting his crops.

There is now little competition anywhere in Australia in the buying of fruit, as the large jam factories are either controlled by the one company or agreement as to prices paid for fruit have been entered into by all factories in the same district.

The Federation of Australia had the effect of throwing any part of the Australian market open to the jam manufacturers of any State. Competition which previously did not exist, except possibly in free-trade New South Wales, became keener. The large factories in Hobart and Melbourne, with their larger output, and consequently decreased working costs, had an advantage over the smaller factories, which were also at the disadavantage of not being able to give long credit. The small factory, with its limited trading capital and output soon disappeared from the jam trade, for it could not withstand the large jam factories continuously selling at or below cost some particular jam largely or exclusively manufactured by it. A system of rebates to retailers given

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by some of the larger factories completed what a keen competition had begun, viz., the elimination of the small jam factory.

The output of jam has increased for Australia, but there has been a reduction in the number of individual factories. In Hobart, Henry Jones and W. D. Peacock soon completely controlled jam making, and to a great extent the fruit export trade as well, and in Sydney and Melbourne practically the whole of the jam-making soon got into the hands of a comparatively few people. Between these groups there was for some time competition, but during the year 1910 a combination of large manufacturers took place, when a "holding" company was formed by acquiring outright or interests in practically all the large jam factories in Tasmania and Victoria.

Henry Jones Co-operative Ltd.

The amount of capital this "holding" company has at its disposal, the almost complete monopoly it has in several large centres, particularly Hobart and Melbourne, give the company great and far-reaching power over both consumers and fruit-growers.

Henry Jones Co-operative Ltd. was listed on the Melbourne Stock Exchange in June, 1910. No prospectus was issued, and the shares, within a month, were quoted at a 25 per cent. premium, and have remained at such ever since.

The following extract is from a leading financial paper, and from the names mentioned, it will be seen that the principal jam factories in Tasmania, Sydney, and Melbourne are in the Combine:—

> "Prior to amalgamation, the properties held or controlled by Mr. Henry Jones and his associates were the I.X.L. Co., of Hobart; the Australasian Jam Co., of Sydney and Melbourne; and the Cunliffe and Patterson Co., of Swanston Street, Melbourne; and the distributing house of F. W. Moore and Co., of London. The above concerns are stated to have been making a profit of over £70,000 per annum. With the formation of the Co-operative Company, further businesses have been acquired as follows:—W. D. Peacock, of Hobart; Hoadley's (jam business only), of Melbourne; and Johnston and Co., of Sydney. In addition to this, steps have been taken to build a factory at Durban, South Africa.
>
> "Of the total capital of the company, namely, £500,000, the £70,000, which was being earned as mentioned above by part of the present undertaking, equals an earning of about 14 per cent. The management is in conservative hands, and it is not anticipated that anything like the full earnings of the company will be distributed."

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Practically no information is available as to the profits made by the various factories controlled by this company, and there is no information as to the extent the company's shares have been watered when 300,000 shares and £100,000 were paid to the Vendors on the formation of the company.

On the nominal capital, 7½ per cent. has been paid for the year ending 12th November, 1913; but no details are given as to the amount of profit used in extending the business by transferring it to capital account.

When it comes to be a matter of building up an export trade in Australian jam, the advantage of having a strong and wealthy "holding company," controlling both home and export trades, in securing markets, will be apparent.

From this point of view, the formation of Henry Jones and Co. Ltd. is highly beneficial, but the fact that it centralises its factories in the large centres of population (thereby securing the market for jam), prevents other factories starting in country fruit districts, and through the power its virtual monopoly gives, it forces fruit to come to the jam factories rather than that the jam factory should be brought to the fruit centres. It is only natural that a company having control of the consumption of jam fruits will pay no higher prices for fruit than it is obliged to in order to get supplies. The price is fixed so that it is just worth while for fruit-growers to produce fruit. In such circumstances it is impossible to expect fruit-growing for jam to prosper.

(*b*) THE BREWERY COMBINE.

The collapse of the land boom and trade generally between 1890 and 1900 reflected itself on the brewing industry to a very serious degree. Not only did trade fall off, but a large number of hotels were left on the hands of the brewery companies, many of which were forced into liquidation, and very few of which made any profits for a considerable time; out of the general financial ruin a few of the larger breweries emerged.

A number of individuals having interests in all breweries saw the advantages that would result from a cessation of competition. This led to an amalgamation of interests to such an extent that prices of beer have been regulated and fixed at a high level and in many cities virtual monoplies have been established.

One of the most interesting examples of these brewery combinations took place in Melbourne when the Carlton and United Breweries Proprietary Ltd. was formed and registered in May, 1907.

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This company took over the Carlton Brewery Ltd., McCracken's City Brewery Ltd., the Victoria Brewery Co., Castlemaine Brewery and the Shamrock and Foster Breweries. These were practically the whole of the brewery companies operating in the city.

The basis of amalgamation was that each of the individual companies was allotted shares in the Carlton and United Breweries Prop. Ltd. on the basis of output and assets; then, instead of each brewery endeavouring to manufacture several kinds of beer as formerly, a particular brewery was set apart to manufacture a particular beer. This rearrangement, together with the shutting-up of several of the breweries and concentrating the manufacture, enabled great economies to be effected, and with the control of the market, satisfactory profits have been earned. To meet the increase in the price of beer, a number of Melbourne hotelkeepers formed a co-operative brewery company, which acquired a brewery and has paid a fixed and satisfactory dividend to those hotelkeepers who are not tied to the Carlton and United Brewery Prop. Ltd., and who are free to co-operate. This is an interesting case of co-operation of consumers preventing a combination getting absolute control and abnormally raising prices.

(*c*) THE NAIL AND BARBED WIRE COMBINE.

One of the best illustrations of the effect a high rate of Protection has on combination of manufacturers is to be seen in the nail combine. In each of the various States' capitals there are several manufacturers of nails. As it is an industry protected by a high rate of duty, and as the Interstate transport freights are very high, the factories in each capital are immune from competition either from other States or from foreign sources. The local trade is, therefore, in the hands of a very few firms, who are located in the one distributing centre.

In Melbourne the whole of the output from all the nail factories is pooled, and a central selling agency distributes the nails, no orders being supplied by the various factories direct.

The company controlling the sales of nails, barbed wire, etc., is the Southern Star Company, which, according to its chairman, had no factory, but was formed in August, 1908, by the Austral Nail Company, the Titan Manufacturing Company, Frank Gold, the Emu Manufacturing Co., the Commonwealth Wire and Nail Company, James Moore and Sons, Tame and Company, and W. J. Sanderson.

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Whilst Victorian farmers are being charged £4 7s. 6d. per ton, similar super-phosphate is being sold for export to New Zealand for £3 13s. 6d. Customs returns show that 12,881 tons of super-phosphates were exported from Australia in 1913, and their declared value was £47,396, or £3 13s. 6d. per ton. The various Australian manufacturers applied to the Interstate Commission for an import duty to prevent dumping into Australia; these figures seem to indicate that the Australian manufacturers are doing the dumping.

Another interesting comparison of prices is in regard to South Australia. In this State, prior to 1914, there were two companies manufacturing super-phosphates—the Mount Lyell Co. and the Wallaroo Company—and the price of super-phosphate was £3 18s. 6d. It was then cheaper for Victorian farmers in the Mallee to buy their fertiliser in South Australia than in Victoria.

At the end of 1913 the Mount Lyell Co. absorbed the Wallaroo Co., and an amalgamated company was formed. The price in 1914 in South Australia is similar to the Victorian price, viz., £4 7s. 6d. per ton. There is, of course, no direct evidence of combination, but it is alleged that the various companies in Victoria are under a bond to one another not to sell below the agreed-on price.

Another point worth noticing is the fact that whereas formerly a number of travellers from all the companies were going about the country; it is now quite a common thing for all companies to have the same agent in the country towns.

In giving evidence before the Inter-State Commission on an application for an import duty on super-phosphates, several manufacturers admitted that competition in price had been eliminated, and that the manufacturers had succeeded in keeping the price uniform. It was also admitted that "there is a sort of understanding not to compete between Sydney and Melbourne firms."

The supplies of rock phosphates—essential in the manufacture of super-phosphates—are comparatively limited in quantity. The holders of these supplies are, it is understood, bound not to supply others within the State at the same preferential rates, so this virtually gives a monopoly of the supply of raw materials to the existing manufacturers.

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The following remarks are made by Mr. W. C. Robertson in the "Victorian Journal of Agriculture," February, 1913:—

> "During the years 1906-7 the appearance of a new firm on the scene of operations, and the resulting competition, sent up the quality of 'supers,' and caused a fall in price. Unfortunately for the farmer, this state of affairs soon balanced, and to-day he pays approximately the same price for his superphosphates as he did in 1905."

The following prices, mentioned in the same article, will show by comparison the high price for super-phosphates paid in Victoria:—

Price per ton abroad—£3 for 16 per cent. phosphoric acid.

Price per ton Victoria—£4 7s. 6d. for 17 per cent phosphoric acid.

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CHAPTER 8.

Fixing the Price of Flour and Bread.

The Victorian Flour Mill Owners' Association.
Combination to Fix the Price of Bread.

The understanding which has existed between the Flour Mill Owners of Victoria, who have joined themselves into an association, has all the effects due to a complete ring. The Association, which includes practically all the flour millers in Victoria, first endeavoured to fix prices in 1907-08, and it now has for its object, as far as can be ascertained, the following:—

(1) The increase in the selling price of flour to the Victorian public to the utmost limit that foreign and Inter-State competition will allow.
(2) The fixing of the selling price of flour.
(3) The dumping of flour at, or below cost of manufacture, into other States.
(4) The prevention of new and competing mills being started.

The position of the industry in Victoria and the effects of the understanding between the millers can be seen from the following figures:—

Year.	Value of plant, land, and buildings.	No. of mills.	Tons of flour made.	Wages paid.	No. of hands.
1900	£556,792	—	169,739	—	—
1907	£501,873	68	235,185	£85,544	837
1908	£479,411	63	192,687	£78,906	776
1910	£560,713	62	225,282	£84,863	780
1911	£477,916	61	247,434	£93,503	832

The year 1907 was the year of maximum production; competition was keen amongst many of the 68 mills, which employed some 837 hands and paid £85,544 in wages. The Association was formed about this time, and in 1908, notwithstanding the bountiful wheat harvest, the understanding amongst the millers began to operate, and the number of mills was reduced to 63, and only 192,687 tons of flour

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were produced, or a reduction of 40,000 tons. In this year only 776 hands were employed, and the wages totalled £78,906, or £2 per week per head. During the whole of this period, 1907-1911, increased population caused a greater demand for flour, yet the production of flour has increased to a very small extent. This fact is probably due to the endeavours of the members of the Association to restrict output and raise the price of flour to the Victorian consumer. The export trade of flour has been largely disregarded, except when a temporary over-production rendered dumping necessary, and then Victorian flour for export is quoted £1 to £1 5s. per ton cheaper than the price for Victoria.

In confirmation of this the following press report may be quoted:—

> In giving evidence in Launceston before the Interstate Commission, J. Affleck and M. Ritchie, millers, "referred to the unfair dumping of Victorian flour, particularly on the North-West Coast, which had led to several mills being closed down. Only last Friday flour was quoted in Melbourne at £9 per ton, but on the North-West Coast it was quoted £1 less. Prior to federation there were enough mills to supply all Northern Tasmania, and no flour was imported. Local mills were able to supply twice as much flour as they could sell, and when half the trade was cut into by Victoria, the result was that many had to close down."

It is only by having a reduced price for export that the natural protection between States can be overcome, because the high Inter-State freight rates, with wharfage dues, etc., give a protection to the extent of 15s. to 25s. per ton to the local millers.

Profits in Milling.

Consideration of the relative prices of wheat and flour will give an indication of the result from the operations of pooling the output, through the operations of the Association:—

Year.	Price per bushel wheat.	Price per ton flour.			Relative prices of wheat to those of flour.
	s. d.	£ s. d.	£ s. d.		Ratio.
Dec., 1902 ..	5 8	11 10 0	12 0 0		1 3.5
Aug., 1907 ..	3 10	8 15 0	9 5 0		1 3.9
Jan., 1908 ..	4 3	9 15 0	10 0 0		1 3.86
Oct., 1910 ..	3 10	9 0 0	9 10 0		1 4
Jan., 1914 ..	3 6	8 10 0	—		1 4.05

It will be seen that the price of flour has increased considerably relative to the price of wheat. Consequently the profits in milling must be much higher now than formerly,

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as there has been a reduction in the total wages paid per ton of flour produced in flour mills between 1907-11. In any case, the increase in the cost of wages has been more than compensated by savings effected through dispensing with travellers, advertising, etc.

All the mills in Victoria are privately owned, and no reliable information can therefore be given as to the profits made with the present price. An example of these profits is seen in the balance-sheet of the Young Co-operative Flour Milling Company, which made a profit of 25 per cent. during the year 1907, whilst they have averaged 15 per cent. over a number of years.

Though the Association has only come into existence some six or seven years it now has control of practically the whole flour milling industry of the State. It controls output, and absolutely regulates the price of flour. At a special general meeting of the Victorian Mill Owners' Association on 30th August, 1910, attended by 37 out of 42 members of the Association, it was unanimously resolved:—

"That this meeting pledges itself to support the principles of the central selling agency for the disposal of flour, bran, and pollard for the Victorian trade, and that the executive committee meet to commence drawing up the details in connection with the scheme."

But the Labour Party won a majority at the New South Wales elections, an effective Anti-Trust Bill was introduced into the Commonwealth Parliament, and a selling agency was too obviously a method to raise prices; so in October, 1910, the Melbourne "Argus" reports the following:—

"The annual general meeting of the Victorian Mill Owners' Association was held yesterday. It was decided not to proceed with the scheme for the establishment of a central selling agency, but to continue the Association in its present form, with some amendments to the rules to render its working more effective."

The October number of the Melbourne "Journal of Commerce" says:—

"The present movement suggests that values will be further raised and output restricted for local consumption without any provision for regulating the price for shipment. It is alleged that the output of each mill should be fixed in proportion to the whole of the local requirements."

These statements by journals in every way in sympathy with "capital" give some very strong grounds for the belief that practically all the mill owners have combined, and they apparently control the prices and trade generally through the central selling agency.

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What regulations for fixing prices, Associated members have drawn up it is impossible to say, but it is probable that it is a matter of "honourable understanding," as competition, except by a few small country mills, has ceased in the sale of flour. A year or two ago there were several travellers touring the State gathering in orders for the competing millers; now there is only one for each district doing the whole work for the "central selling agency."

A similar organisation exists in Sydney, and the following is an extract from the press for March, 1914:—

"At a meeting of the New South Wales Flour Mill Owners' Association this afternoon, it was decided to increase the price of flour by 10s. per ton, making the ruling quotation for leading city brands £8 10s. This rise is attributed to the increased demand for export and local requirements, and to the firmness of the wheat market."

Alleged Bread Combine.

Intimately associated with the flour milling industry is the manufacture and supply of bread. Though in most of the large cities in Australia the bakers have an association for the dual purpose of protecting themselves against their employee's union and fixing the selling price of bread, the combination is not very effective. Little expenditure is necessary to commence a baker's business, and any excessive high prices for bread would only invite the starting of new bakeries. This would result in reduced prices and another competitor to share the trade. Taking the case of Melbourne, where the Mill Owners' Association and the Master Bakers' Association are both particularly well organised, a reciprocal arrangement has apparently been entered into which makes for the strengthening of both Associations.

For some years past keen competition existed between the Civil Service Co-operative Bakery and the Master Bakers' Association. Prices were by this means kept down to a reasonable rate. The charging of same prices for bread as the other bakers in 1913 brought the Co-operative Bakery in line with the Master Bakers' Association, and there has been a considerable increase in the price of bread, such increase not being in keeping with any fluctuations in the price of flour and any increase in the cost of labour.

In explanation of this condition of affairs the following, which appeared in the Melbourne "Age," 30th January, 1914, is of interest, though it must not be taken as conclusive proof that an agreement exists between the Mill Owners' Association and the Master Bakers' Association,

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and that the latter association is a close combination in restraint of trade. The extract is the result of information given by a Melbourne suburban baker:—

"Mr. Page says that a strong ring or combine is responsible for the present high price of bread. The ruling price of bread in Elsternwick is 7d. the 4lb. loaf. Mr. Page charges 6d. and states that an attempt is being made by the joint action of the Master Bakers' and Millers' Associations to coerce him into raising his rates into line with other bakers in the district. Mr. Page is not a member of the Master Bakers' Association, and refused to adopt the increased price of bread that was declared in August of last year. As soon as he had made it clear that he meant to stand by his own prices, he began to experience difficulty in obtaining flour from local millers. His orders were not point-blank refused, but, on one excuse or another, they were turned aside. This 'boycott' has now become so powerful that, according to Mr. Page, he cannot get flour from any Melbourne miller, whether for cash or otherwise. Unable to get his flour in Melbourne, Mr. Page next tried a large firm in Bendigo, but the 'boycott' had evidently been widely extended, and he was met with the same indefinite excuses. Mr. Page has therefore been forced to get his flour direct from the country. This, of course, entails a great deal of inconvenience. Despite all these disadvantages, Mr. Page continues to supply bread at the price already mentioned. Indeed, he states, if people would come to the shop for their bread and save him the cost of delivery, he could supply it at 5d., with a perfectly satisfactory profit."

Officials of the Master Bakers' Association deny that any arrangement exists which would cause the alleged boycott, but no action has been taken by the Association to publicly disprove the above allegations of combination to raise prices. The following paragraph appeared in the Melbourne "Argus," a journal generally opposed to any interference with private industry. The figures quoted clearly show the abnormal increase in the price of bread in Melbourne during the past six years. It will be seen that the price of flour has actually decreased 5 per cent., whilst bread has increased 50 per cent. Wages have certainly increased perhaps 20 per cent., but that probably represents less than an increase of 10 per cent. in the cost of production of bread:—

"What the advance of ½d. per 4lb. loaf of bread actually means to the master bakers is shown in the following figures:—

"It is estimated that an ordinary bakery uses about five tons of flour each week, a good many using 10 tons, and some of the largest manufacturers as much as 20 tons. From a sack of 150lb. about 49 large loaves of bread are made, and from a 200lb. sack about 65 loaves. This is a moderate figure, which can be taken as an average, though frequently 66 loaves are obtained. A simple

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form of multiplication shows that the additional receipts from the advance of ½d. per 4lb. loaf can be detailed as follows:—

5 tons— 3,250 loaves at ½d. = £6 15s. 5d. per week.
10 tons— 6,500 loaves at ½d. = £13 10s. 10d. per week.
20 tons—13,000 loaves at ½d. = £27 1s. 8d. per week.

"These figures make no allowance of any description for the recently increased working costs, simply indicating the additional revenue.

"It is a number of years since bread was retailed at 7d. per 4lb. loaf in the northern inner suburbs, and at that time flour was from £12 to £13 per ton. A comparison of the Victorian Mill Owners' Association quotation for flour and the ruling price of bread at the end of July for seven years past is given below:—

End of July—	Flour. (Per 2000lb.)	Bread. (Per 4lb. Loaf).
1907	£9 5 0	5½d. to 6d.
1908	£9 10 0	5d. to 6d.
1909	£11 10 0	5½d. to 6½d.
1910	£9 10 0	5½d. to 6½d.
1911	£8 0 0	5½d. to 6d.
1912	£9 5 0	6½d. to 7d.
1913	£8 15 0	7d.

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CHAPTER 9.

Combinations to fix Prices in Timber and Brick Supplies and Printing.

(*a*) *The Timber Combine.*
(*b*) *The Brick Combine or Association.*
(*c*) *The Printers' Combine.*

This chapter deals with a series of combinations of manufacturers of commodities which have only a local and restricted market, not extending beyond the limits of the city or, at any rate, the State. The combinations dealt with refer particularly to those in Melbourne, but they exist in other large cities of Australia. The companies and firms constituting these various combinations are in considerable number, though generally speaking, they individually employ not more than two or three hundred hands, and the majority perhaps not more than a dozen.

In each case the combination takes the form of an association which fixes prices, parcels out the trade, and by some system of rebates or discounts prevents the general consumer from dealing with any other than those in the association.

The incentives leading to the formation of these associations were the same—viz., disputes with employees, and the necessity to regulate the trade to prevent a ruinous competition, and to make a maximum profit.

Melbourne, being the more highly developed industrially, and having for a longer period a system of wages boards which compelled employers to come together, is probably more subject to combinations of this kind than most other cities in Australia.

(*a*) THE TIMBER COMBINE.

The principal contributory cause of the increase in the cost of living in Australia has been the increase in house rents, particularly small house rents. The rental for workmen's cottages, built of wood, and consisting of three or four rooms, has increased some 25 per cent. during the past

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few years. Whilst no doubt the increase in population has created a demand for houses, yet the cost of building is, after all, the determining factor in any matter of rental.

The costs of building a house can be divided into:—

(1) the land, (2) material, and (3) labour.

The prices of land and labour have undoubtedly increased in every Australian city, but it has only been a 15 per cent. increase during the past few years. As the two items only constitute about one-third of the total, an advance of only 5 per cent. of the total in the price of house property is thereby accounted for. The other 20 per cent. is due to advance in the price of building material.

The fact that timber constitutes practically the whole of the materials used for the smaller houses, whilst it takes only a very small part in the construction of the more pretentious brick residences of the wealthier, explains to a certain extent why the rents have increased to a greater extent for small houses than for large ones.

Rise in the Price of Timber.

The price of timber has greatly advanced during the past few years, particularly in the city of Melbourne and the country drawing its supply from this centre.

The following gives the relative prices of the principal timbers used in building construction:—

	Price per 100 feet. 1902.		1909.	
	Whsale.	Rtl.	Whlsale.	Rtl.
	s. d.		s. d.	s. d.
Deal flooring, 6 x ¾, per 100 lin.	7 3		8 6	9 3
Deal lining, 6 x ⅜	4 3		4 6	5 0
Deal W.B.	5 3		6 0	6 6
Oregon, per 100 super.	12 0		12 8	14 0
Hardwood	8 0		8 6	to 9 0

	1910.		1914.	
	s. d.	s. d.	s. d.	s. d.
Deal flooring, 6 x ¾, per 100 lin.	9 9	11 3	9 9	11 0
Deal lining, 6 x ⅜	6 6	7 0	5 6	6 0
Deal W. B.	7 9	8 6	7 6	8 3
Oregon, per 100 super.	14 6	16 0	16 0	18 0
Hardwood	9 6	11 0	10 0	13 0

The wholsesale rates have not increased as much as retail prices have, but they merely represent the price used in the interchange between the members of the Timber Merchants' Association. Before the agreement to fix prices, and cease

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cutting rates, most builders, and the public generally, if ordering a large quantity, could get their timber at a small and reasonable advance on the wholesale rates. As far as most builders are concerned the wholesale rates in 1902 were practically the retail rates as well. Now, it is a very different matter, as no merchant can sell at less than the fixed retail prices, the only rebate allowed being 2½ per cent. discount for cash.

Consideration of the prices of hardwood gives a very good illustration of how both producer and consumer are being detrimentally affected by a combination of middlemen. The Victorian hardwood sawmill owner receives 10s. per 100 super. feet for his timber landed at Melbourne railway siding; out of this amount he pays Government royalty, cuts and carts his logs to the mills, saws up the logs, transports the timber to the railway station, and then pays freight to the city; anything over goes to pay interest on the capital invested in mills and tramways. The Associated Timber Merchant selling the same timber at 13s. per 100 super feet makes 3s. as his profit. Carting the timber to his depot, if he does not dispose of it direct at the railway sidings, practically constitutes his only expense.

It will be seen that there is a large discrepancy in the relative rates of advancement in price in Australia and the countries from which the timber is imported, and this notwithstanding that the cost of importation has decreased rather than increased during the past few years owing to the use of much larger vessels.

The position of the timber trade in Melbourne—and it is similar in several of the other capitals—is that the whole of the importation of the soft woods, which constitute the principal commodities in the timber business, is in the hands of half a dozen large firms, and these firms also have control over many of the hardwood mills distributed throughout the State.

These large firms practically constitute the inner ring of the Timber Combine. They have forced all the other timber merchants into the "Timber Merchants' Association," and by the control this Association asserts, the smaller merchants have in reality become distributing agents for these large half-dozen firms who control the whole trade. The large firms dictate the policy of the Association, which says what amount of timber shall be imported and who shall import it, what retail prices shall be charged, and virtually dictates

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the conditions under which most of the sawmills and country timber merchants shall work.

The Formation of the Combine.

The whole of the importation of soft woods being controlled by the few large timber merchants, it was very easy for them to coalesce and force every builder and timber merchant to get their soft wood timber through them. This is how the combine started. Quite apart from any difficulties there may have been for the small merchant to finance a large shipment from Europe or America, the operations of the large firms prohibited him doing so.

An example will show how this was done and how all were forced into the combine or association. At the time of the formation of the combine, a large suburban timber merchant and sawmill owner who was "outside" the Association, in order to get supplies of soft wood, ordered a large shipment of oregon. At the then selling prices this merchant would have been able to quickly realise on the shipment, make a fair profit, and meet the necessary payments to the American lumber mills. The combine or the Association members, having in their yards a considerable stock of this timber, immediately the vessel was reported as about to arrive, reduced the price of this particular timber. Needless to say, the suburban merchant lost heavily on the shipment, which had to be realised to meet the bills coming due from America. The associated firms, with all their combined capital and large profit on other timbers, did not feel the reduction in price of this one line for a few weeks, but it was fatal to the small importer who was thus forced into the Association, or face the only alternative—irretrievable ruin—through having his supplies of soft woods cut off.

In the case of the local sawmills for Australian hardwoods much the same treatment sufficed to "tie" them to the combine. Every mill of any size at all must have a large market (such as there is in Melbourne and the other capital cities of Australia), as country orders are necessarily small and spasmodic, and would not keep a mill going. The Associated Timber Merchants, it is alleged, decided that any sawmill which sold its timber to any timber merchants other than those in the Association, or direct to any builder, would be virtually blacklisted, and none of the Associated Timber Merchants would buy any timber from that mill. To lose the connection with the leading timber merchants who supplied all the soft woods, and who had a large number of

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building contractors purchasing through them, would be fatal. Practically every sawmill, therefore, had to fall into line, a sawmill owners' association was formed, and agents were appointed to meet the central buying agents of the Timbers Merchants' Association. By this means the prices that the sawmillers get are completely under control, and as it is obligatory for them to undertake not to sell to anyone at below the retail price fixed by the Association, competition has virtually ceased in the hardwood trade.

Most of the smaller merchants in the combine have gained advantages, in that no new merchant can now start in opposition. But the vast majority of them have been reduced to mere distributing agencies for the larger timber merchants, who control the importations and regulate the prices.

The following seems to be the understanding governing the relations between the large importing associated firms and the smaller merchants:—

(1) A suburban or country timber merchant can only obtain his timber at wholesale rates if he order at least 20,000 feet.

(2) The suburban or country merchant must settle all bills with the large importing merchants by the end of the month.

(3) No suburban merchants or local sawmill shall sell at rates below those fixed month by month by the Association.

(4) No suburban merchants shall do any building on his account within 16 miles of the Central Post Office.

(5) Each timber merchant shall charge cartage on a fixed scale.

The penalty for infringement of any of these regulations is the complete withdrawal of supply of soft woods and hard woods.

The minimum prices being fixed there can be no competition, as the cartage rates (2s. per load per mile or part thereof) prevent it, and give to each subsidiary merchant a certain area. Every builder, contractor and every private consumer of timber is therefore dependent on the associated merchants for supplies, and has to submit to what conditions are imposed, and pay the prices for timber and cartage that are decided on.

To indicate the control the combine has over the building trade, it is well to consider a few instances. In a building strike in 1909, in order to force the men to accept

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the wages and hours offered, and to assist the larger contractors, the timber merchants stopped all supplies to any contractor or private individual who employed a workman at the higher rates of pay.

The Manufacture of Butter Boxes.

Several of the larger timber merchants in the Association manufacture butter boxes, and it has become an important and profitable department in their businesses. It has been stated that associated timber merchants who have sawmills have agreed to charge a uniform and fixed price for butter boxes. What profit is allowed for it is impossible to say. It was further arranged (in order that there shall be no dispute between them) that each mill shall retain its own original trade and customers. To do this a list of all users of butter boxes was prepared and circulated, and each was pledged to charge a price above the schedule to any customer who had left another member of the Association. In this way, each user of butter boxes is bound to deal only with the present supplier.

(B) THE BRICK COMBINE OR ASSOCIATION.

In most of the larger Australian cities, all, or most of the brick manufacturing companies have a combination or agreement to fix the selling price of bricks and determine the output from each kiln.

The brick combines in the various cities date from about 1900. During the previous few years the building trade had been very slack, particularly in Melbourne, and the cutting competition to get what trade there was prevented any profit being made, and ultimately, in self-defence, the principal brick manufacturing companies were brought into line.

The History of the Melbourne Brick Combine.

The history of the formation of the brick combine in Melbourne, as recorded by Mr. W. G. Sprigg, is as follows:—

"A large number of kilns were closed, and those that were open were in competition so keen that most were losing money, and none was making a profit. Early in 1896 several meetings were held with a view to see whether the live companies could not be made profitable by amalgamation into one. The difficulties, however, were considerable, and that course was abandoned. Then, at the request of some of the directors, I called the representatives of the companies together to talk things over, and see if some feasible scheme could not be devised for remedying the evil state of affairs. The result was that it was agreed

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to form an association for regulating the price and output of bricks. Large companies had ceased work, and were in the hands of financial institutions, and it was necessary, in order to make a safe association, that some terms should be made whereby the closed yards and stagnant companies should get some return, and not be absolutely starved. Ultimately, I made terms with these idle companies through the banks."

Closing up Brick Yards.

In order to prevent the possibility of competition from a number of the smaller brick works, which would have immediately started operations as soon as the price of bricks was raised, the following amounts per annum were paid to the owners to keep the kilns idle:—

John Glew	£400	Builders'	£250
Walkenden ..	£400	Clifton	£650
Sweet	£350	Wilsmere	£300
Box Hill	£400	Blackburn ..	£200
Cornwall	£400	Nolan	£100
Ringwood	£100	Ferry	£70

Total of £3,620 per annum.

Basis of the Agreement between the Brick Companies.

The basis laid down for the working of the Association, according to Mr. Sprigg, was that "provision be made to spread the orders according to the capabilities of the kilns; instead of keenly competing, kiln owners would pool their orders and obtain a fair price."

In other words, the whole of the orders are pooled, and the Committee of the Association would parcel out the requirements for bricks to the various members of the combine.

When the building trade is brisk the keeping of a large number of kilns idle has at times led to considerable delays to contractors being forced to go without bricks. Thus Mr. H. R. Lawson, contractor, giving evidence before the Brick Commission, said:—

"He said he was the builder, on commission, of the Britannia Picture Theatre. He had tried to get bricks from all the companies of the combine, but could not. He would not say he was refused because the combine wished to boycott him. No reason was given for the refusal to supply him with bricks. He was merely told that he could not be supplied, although he tendered a cheque for £500 and ordered 750,000 bricks at the rate of 30,000 a day. Some companies told him that they might be able to let him have bricks in three or four months."

Other instances of where the combined companies refused to supply bricks have been given, thus: —

"Walter Richard Butler, of the firm of Butler and Bradshaw, architects, said: 'The Queensland Insurance Company buildings

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were constructed of concrete with brick facings. The bricks were purchased in Sydney, owing to the Melbourne brick companies banning the builder when he applied for bricks. When the Sydney companies found that their bricks were being used for a "banned" job, they refused further supplies, and the balance of the order was obtained by a subterfuge. The balance was purchased by a Sydney builder ostensibly for a suburban job, and were shipped to Melbourne as terra cotta. He had seen builders repeatedly refused supplies by the Melbourne association. They were treated very harshly.'"

And

"James Alexander Gamble, manager and partner in the Clifton Brick Company, said:—'Inquiries were made about all applicants for bricks at his works, and if it was ascertained that an applicant owed money to another brick company he would not be supplied. Even if the man was clear of debt he would only be supplied for cash until his financial position was proved to be stable.'"

It has been alleged that should a builder use bricks of one of the few independent brickyards, and for some reason desires to obtain bricks from one of the combined companies, he would not be supplied until the whole of the other bricks he may have bought are cleared off the ground; builders are therefore practically forced to use the combine's bricks owing to the limited and local supply given by the independent brickyards, which can only fully supply small contractors doing small work in the vicinity of the brickyards.

Another disability under which builders have to suffer as a result of the combine is that no credit is given by any of the associated companies. The result of this is that the contractors for, at any rate, large buildings are restricted to a comparatively few individuals. It is well known that for large jobs there is very little real competition, and it is even alleged that for very large buildings it is arranged beforehand by the contractors who shall "go" for the contract.

Rise in the Price of Bricks.

In July, 1896, the price of bricks in Melbourne was as low as 20s. per 1000, whereas after the combination and agreement between the companies the price was raised to 30s. per 1000 in November of that year, and to 40s. per 1000 in 1901. During this period the rates of wages increased very considerably, but it is very probable that the increased output from the different kilns, and their working to their full capacity and for full time, enabled the companies to produce bricks at very little additional cost. Mr. A. H. Angliss said that the costs of production of bricks

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at the Clifton Brick Works was, in 1907, 24s. 2d.; 1908, 24s.; 1909, 27s. 6d.; 1910, 24s. 8d.; 1911, 24s. 7d.; 1912, 24s. 11d. During these five years it is probable that the costs of labour increased some 15 per cent.

Increased Profits.

From these figures, even assuming that no profit was made before the combination, it is obvious that good profits are now being made by the associated companies. As far as analysis of the financial conditions of the Melbourne brick companies can be made, there does not appear to be a very abnormal rate of dividend being paid (even after making full allowances for watered stock), especially when the nature of the investment is considered. To show the increase in profits that has come about as a result of the combination, the following statement in regard to the Northcote Brick Company is of interest:—

"For four and a half years prior to 1896 no dividends were paid by the Northcote Company. In 1896 one dividend of 3d. per share was paid, equivalent to about 1¼ per cent. on the paid-up capital. The following year 7d. per share was paid; in 1898 the rate was 10d., and in 1899 it was 1s. 5d. per share. The highest rate was in 1901, when it was 1s. 7d. per share, equivalent to 9 per cent. The selling price of bricks was then 40s. per 1000. In addition to distributing profits in dividends, a sum of £10,000 was accumulated as a dividend equalisation fund. The works had been maintained in a proper state of repair, but 10 per cent. was written off each year for depreciation. The total amount paid in dividends was about 25s. per share (paid-up to 17s. 6d.), aggregating £187,500."

Summary.

Looked at from the point of view of industrial efficiency it is a better policy that several small brick works be kept closed and the manufacture be concentrated at the larger and more efficient works, which could then be worked at full time and at a lower cost of production.

Without an agreement of some nature too many brick works must necessarily lead to a destructive competition, resulting in a low efficiency and an unreasonably low return on the capital invested. To prevent this, the agreement is justified, and judging by the market price of brick company shares, little more than a fair return seems to have been earned, at any rate on the nominal capital.

On the other hand, the price of bricks appears to be unreasonably high, and profits are being used to pay dividends on watered stock, and to pay other brickwork proprietors sums of money to keep their works closed. The

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closing of works also leads to inconvenience in getting supplies of bricks. Dependence on a few associated companies who may not maintain the present high quality brick sold in Melbourne, and who, it is alleged, refuse to supply bricks to anyone who does not deal exclusively with the associated companies, is detrimental to public interests.

(c) THE PRINTERS' COMBINE.

In Melbourne and Sydney, and in many other Australian towns, combinations of printers have been effected under the general name "Typothetæ," a name used to describe an attempt made by the master printers of the world to standardise costs and prices of printing, and is the classic appellation of a system whereby the printer may be prevented from doing work at below cost price.

As an example of a combination in restraint of trade preserving all the wasteful effects of competition and attaining none of the savings resulting from monopoly, the Printers' Combine is one of the best examples. All that can be said in its favour is that it stopped a competition which led to low wages and bad work.

The Printers' Combine is also a good example of that phase of the trust movement in which combination has been effected between a large number of small manufacturers, each of whom preserves an independence.

Combines were simultaneously formed in Melbourne and Sydney in 1912. The Melbourne combination was constituted by an agreement between all the principal printing firms who allied themselves into the "Master Printers' Association." This Association confined itself to within the State, but worked in conjunction with associations in other States as far as Inter-State trade was concerned.

The following is a statement issued by the Association at the time of the formation of the "Combine":—

"Heretofore the variation in quotations given by printers has been so marked as to appear to the uninitiated quite ridiculous, and customers have too often taken advantage of this to secure their work at prices much below actual cost. This great divergence in costs has been chiefly caused through the lack of a uniform system of costing.

"The actual result to printers has been that in very many cases the firms who secured the order have found that, through the omission of one or more of the many items which make up the estimate, they have been working at a loss. In order to improve this condition of affairs, the printers of Australia have, together with their fellow craftsmen in England and America, arranged conferences to discuss and build up true minimum cost scales to be uniformly adopted throughout the trade.

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"So far as the Australian printers are concerned, conferences have been held in Sydney and Melbourne, attended by representatives of the printing trade from all the States, and, as a result of their deliberations, a uniform 'minimum costs scale' has been adopted, and is now being used by practically all the printers of Australia.

"Although in some cases the customer may have to pay more than he has previously done for his printing, yet in other cases he will find that prices are lower, and the net result will be practically the same.

"In order to guard the interests of the public, the Melbourne Association has appointed a committee of their leading members, who carefully watch that prices are neither too high nor too low than is provided for by the costs scale, and the fact that this costs scale has been prepared by the united deliberations of the most experienced printers in Australia is sufficient guarantee that only a fair return is asked. In this claim the printers are confident they will have the complete and hearty support of the public."

Explanations, given at the time, for the formation of this combination, which is innocent if the above statement is taken as its aims, objects and practices, go to show there had been excessive competition in the printing trade.

Mr. G. A. Osboldstone, of Osboldstone and Co. Pty. Ltd., one of the principal Melbourne printing firms, was asked to explain the cause of cut-throat competition in quotations in the printing trade, and said:—

"I could give you many cases where business houses have asked for a quotation from several printers. The firm has then sent for the lowest tenderer, and remarked: 'We would like to give you the job, but, unfortunately, your price is a little high. Cannot you do any better?' The printer has already cut down his quotation to the lowest fraction of profit, and says so. The printer knows that he cannot cut further, except at a loss, but he dares not let the chance go, especially with the special inducement of other work in prospect. In the end he makes the sacrifice, only to find the same game played off on him in respect to the other jobs. This is not fair tendering. It is a bad practice, and the Typothetae puts a stop to it."

All the principal printing firms are included in the Melbourne Master Printers' Association, but there are some printers, about 50 in number, who are still outside the Association. It is to effect a complete combine with the object, no doubt, of subsequently raising prices to the amount the trade will stand that the more questionable practices of the Association have been devoted.

Those in the combine are firms who have a number of employees, but those outside it are small printers, whose only hope of keeping and increasing their trade is by doing cheap work. To force them into the Association would be

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advantageous to members of the Association, because it would kill the outsiders' trade to the advantage of the larger firms in the combine, and at the same time enable prices to be raised all round. To attain this result an agreement has been come to between the "Master Printers' Association" and the "Association of Wholesale Paper Merchants," who control the supply of printing paper and the other "raw materials" of the printer.

The following is the summary of a statement by I. H. Swinnerton, one of the small printers outside the Association:—

"The members of the Printers' Association offered to agree to a general rise in the price of paper in return for the assistance of the Paper Merchants' Association in 'coercing' the fifty printing firms that stood outside the Association. It was on account of this agreement that on 13th March, 1913, all the wholesale paper firms in Melbourne issued a new price list showing an increase in rates on all goods. But the peculiar feature of these revised price lists is that they show, in the case of every quotation, two prices—a 'wholesale' and a 'retail' price. This, on the face of it, is unusual, as the firms are only concerned in the wholesale trade. Some light, however, is thrown on the peculiarity by the fact that everyone of these price lists has a footnote, in every case identical in phrasing, and stating that 'country clients and all members of the Melbourne Master Printers' Association will be recognised as wholesale buyers.' Other buyers may be supplied by special arrangement."

The difference between the wholesale and retail prices of paper is in the neighbourhood of 25 per cent. to 33 1-3 per cent. Those inside the Printers' Association are given the wholesale rates, and thereby have a great advantage over the firms outside. These firms, because of their small requirements, are forced to deal with the wholesale paper merchants, who, in addition, control the supplies of printing ink, composition, type, and printing machinery. In giving evidence before the "Inter-State Commission" in an inquiry into the duties on paper, Mr. Swinnerton further said:—

"Mr. Gates, the President of the Wholesale Paper Merchants' Association, asked me to join Typothetae, and I said that our firm would not join under any conditions. I was told that if I did not join immediately our supplies of paper would be discontinued. I went next day to merchants in the Association with whom I had dealt, Alex. Cowan and Sons, Alex. Pirie and Sons, and James Spicer and Sons, and they refused to continue to supply me unless I joined the Typothetae. We instantly cabled Home for supplies.

"We are compelled to obtain all our supplies abroad, because we are penalised to the extent of 25 to 30 per cent. if we buy from any of these warehousemen."

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J. F. Bracken, Secretary of the "Non-Typothetæ Printers' Association," said in evidence in regard to the "Master Printers' Association":—

"They have drawn up a list of prices that does not accord with our idea of what should be charged. They are generally higher; in some cases, very much. I am discriminated against by warehouses because I am outside the Typothetae. On March 31st last all the printers outside received lists of prices. Those inside were sold to at wholesale rates, those outside were sold to at retail rates, up to 33 per cent. higher. The effect has been to injure the small man."

The effect of the agreement between the Associated Printers and the Associated Requisite Suppliers can be seen in the following examples. A special machine was required by Messrs. Swinnerton Bros. to fulfil a large bookbinding order. The Melbourne agent for the machine stated that though it was in stock he was prevented from supplying it, and to keep it from the firm they were asked £81 10s. for it, whilst the same machine was obtained in Sydney for £63. Another non-associated firm states that for a certain machine they required 25 per cent. more than the usual price was asked.

The effect generally of the combination has been an increase in the price of printing, as it is only in the smaller jobs that there is competition, for in them the price of paper is not a vital matter; in such cases alone can work be secured by the small printers outside the Association. The elimination of all opportunity for any of the smaller firms to build up a large trade, or for any employee to start an independent business, is one of the most serious of the effects of the printing combine, which of itself has not eliminated any wasteful results of competition by concentration in large establishments, where an intense specialisation could be practised.

On the other hand, it is generally admitted that better conditions for employees have been made possible by the elimination of competition, and as prices are not now "cut," it is possible for better work to be done.

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CHAPTER 10.

Associations and Combinations Controlling Food Supplies.

(a) The Dried Fruits' Association of Australia.
(b) The Fish, Fruit and Milk Supplies of Large Cities in Australia.
(c) The Retail Grocery Trade.

Of an entirely different nature to those previously dealt with are the combinations in restraint of trade in the dried fruits, fish, milk and grocery trades. These trades or industries are only taken for purposes of examples, and much of what is said of them could also be said of many other trades or industries that are controlled by associations in different States and cities of the Commonwealth of Australia.

Previous chapters have dealt with, firstly, an individual company holding a complete monopoly; secondly, a monopoly held by several companies controlled by a "holding" company; thirdly, three or four large companies working under some agreement in restraint of trade; fourthly, a considerable number of companies and large firms forming a combination to regulate prices and conditions of trade generally. This chapter will deal with a combination of a large number of people possessing relatively little capital who have formed an "Association." Its purpose is to fix prices, and to arrange the general conditions of trade, so that and to arrange the general conditions of trade,, so that whilst maintaining a certain individuality of action and internal competition, the members of the association shall retain as much profit as possible to themselves, and prevent outside competition. This is one of the most important phases of the Trust Movement.

(A) The Dried Fruits Association of Australia.

The Dried Fruits' Association is a combination of a large number of fruit-growers in the irrigation areas; none are wealthy nor influential in trade generally, but being intimately associated at Mildura and Renmark, and having many

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common interests, they have been able to form an effective selling organisation for the disposal of their dried fruits.

The Dried Fruits' Association, consisting of practically all the fruit-growers on the Mildura and Renmark Irrigation Settlements, was constituted essentially for the protection of the industry and to prevent a disastrous competition. Mildura and Renmark supply the whole of the dried fruits used in Australia, and the industry is protected by a 3d. per lb. (equalling about 100 per cent.) duty on imported dried fruits. In order to get full advantage of this duty it became necessary to come to some arrangement as soon as the output of currants, raisins, etc., began to exceed the Australian demand. There is no market outside Australia to which the product could be exported, except at such very reduced prices that the industry would become quite impossible, unless much higher prices were realised in the home market.

To equitably arrange the proportion each grower should sell locally and dump by export or dispose of to the distillery, it was essential that an association be formed.

The consideration of the Dried Fruits' Association is fraught with difficulties because its operations, whilst they have raised the price of dried fruits, perhaps unduly, have yet been of inestimable value, and are, in fact, essential in building up and maintaining a large Australian industry. The success attending the Renmark and Mildura settlements has been the stimulus to other irrigation development. The Dried Fruits' Association must therefore not be included in the same category as the Sugar Monopoly, the Tobacco Trust, the Shipping Combine, or the Milk Distributors' Association. Moreover, the monopoly in dried fruits has been, and is at the present time, completely at the mercy of the people of Australia through its dependence on the Customs Tariff. The lowering of the import duties on currants and raisins would immediately result in the lowering of prices for these commodities to such an extent that any unreasonable profits in fruit-growing and drying would be eliminated.

It is not possible without the fullest detailed inquiry, to say to what extent the price charged, and profits made, are excessive, but if the import duty were completely removed, or even substantially reduced, it would be impossible for growers, who have to irrigate their crops with an expensive system of water supply, and who employ high-priced labour, to compete successfully with the naturally-grown raisins and currants of Southern Europe.

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On the other hand, if the price is excessive a customs tariff should not be used to create unreasonable profit and so give a large unearned increment on the land owned by the fruit-growers, who get an exorbitant return for their industry. The output of raisins at Mildura and Renmark is now about 3000 tons a year, whilst the sales within the Commonwealth only amount to about 2000 tons. This leaves an excess of about 1000 tons to be exported or distilled. The price that is obtained for raisins used for this purpose is only £15 to £20 per ton, whilst the Association charges £40 per ton wholesale to the Australian people.

Mildura raisins can be bought for 1d. to 2d. per lb. cheaper in New Zealand than they can in Melbourne, or even Mildura itself. It was the contention of every protectionist, that the local competition would keep the price of the protected commodity down to a reasonable amount; but the advent of the Australasian Dried Fruits' Association has absolutely killed competition, and has raised the prices to the limit allowed by the 3d. per lb. import duty. In an endeavour to increase the home consumption, prices were reduced early in 1914 as much as 10 per cent. to 25 per cent.

To arrange this dumping and to fix selling prices in the home market, the Dried Fruits' Association through the various packing houses:—

1. Pools the whole output of Mildura and Renmark.
2. Fixes the various prices of the products to be sold for Australian consumption.
3. Arranges for the export or distillation of that part of the product which is not required by the people of the Commonwealth at the price fixed by the Association, viz., £40 per ton, or 5d. to 6d. per lb. retail, and arranges the proportion of each grower's crop that shall be locally sold and dumped.
4. Binds the wholesale agents and merchants not to deal in any but Mildura and Renmark dried fruits.

The various growers in the Association share proportionately to their crop in the amount sold for Australian consumption and the amount exported or sold to distilleries.

Some extracts from the report of the Mildura Co-operative Fruit Company Limited, one of the packing companies affiliated with the Association, will throw some light on the operations that are carried on to fix selling prices and arrange for the dumping of the surplus production.

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The report states in regard to the Export or dumping proportion:—

"As a result of the recent conference in Renmark, arrangements have been made to establish an equalisation fund, so that holders of surplus stocks will not be in any worse position than those who are fortunate enough to sell early in the season—the intention being that all holders shall practically receive the same amount for their fruits, thereby carrying out the spirit of co-operation in its entirety."

And in regard to Deferred Discounts, the same report says:—

"Reference has recently been made to the 5 per cent deferred discount, which has been considered by some growers as an extra selling charge. It is, therefore, necessary to explain that originally prices were listed with a difference of ¾d. per lb. between 10-ton and 1-box prices. As at that time the merchants' selling price was not fixed, as now, under a penalty for non-observance, they often, in the course of keen competition, used to cut prices, thus disorganising business, very much to our detriment.

"It was with the object of overcoming this difficulty and binding the merchants to our interests, by penalising them to the extent of a loss of five per cent. on their year's sales, in the event of their breaking, not only this, but any other of our selling conditions, that it was decided to reduce their immediate profit from ¾d. to ¼d. per lb., and to give them an additional five per cent., which amounts practically to ¼d. per lb., as an extra discount, payable to them at the end of the season, on their making a declaration that they had observed all our selling conditions. You will readily see from this that the grower gains from this arrangement—not only directly, but much more indirectly. Among the indirect advantages gained by means of this deferred discount—and it is one which will commend itself to you—is this, that we, by its means, are able to control outside fruit which had formerly been marketed against us, for merchants under our conditions cannot buy from anyone outside the Australasian Dried Fruits' Association except at such a price as will enable them to export their proportion. This makes it increasingly difficult for these blacklegs amongst us who have so consistently and boastingly taken advantage of their fellow-growers by accepting the prices which co-operation only is able to maintain, and that only by the export of a large quantity when the supply is in the excess of market requirements.

"It is pleasing to be able to report that the number of growers who are fattening at the expense of their neighbours by not exporting any of their fruit is very small."

In dealing with this Combine it must be remembered that those who are now making large profits by it have transformed a desert into the most highly-productive areas in all Australia, and have built up from nothing, a large and valuable pioneer industry. They have had considerable hardships, and in some cases losses, to put up with. Fur-

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thermore, co-operation to dump the surplus production is essential. It is not a case of a few individuals, who by force of their money, crush or buy out opposition in some small, but essential part of manufacture or transportation, and thereby get control of the whole trade and fix prices to the detriment of both primary producer and consumer alike.

The profits are spread over a large population, and are mostly spent in extending the irrigable area. The members of the Australasian Dried Fruits' Association perhaps should not resort to such practices as, for instance, forcing a grower to join their Association by preventing the butcher, baker and grocer supplying him with the necessities of life, or by calling him a blackleg; but to carry on the industry successfully without the Association would be impossible, and it is therefore a matter of consideration whether the end justifies the means. The Tariff adjustment can always regulate the prices and profits, and give the consumers as cheap a commodity as the conditions of the industry will allow.

The efficient disposal of Mildura products demands dumping surplus production (at a low price), and a high home price is therefore necessary. This control can only be undertaken by a private combination in restraint of trade, unless the Government steps in and acts as sole buyer and wholesale distributor.

The Fish Supply.

One of the greatest industrial anomalies in Australia is to be seen in the fish supply of the Commonwealth. Fish are retailed at such high prices that they are only procurable by the rich, and are always considered a luxury; yet the Australian seas abound in the finest of fish; the fishermen are few in number; they work only part of their time, and often do not send to market fish that they catch.

Notwithstanding that most of Australia's population is on the seaboard, the fish supply in the ports is bad, and for most country towns there is none at all. In every case the prices are extortionate. The operations of fish rings, which have grown up in the principal fish markets, are largely responsible for this state of affairs.

In Sydney, until a few years ago, the whole of the supply and marketing was in private hands, with the result that a complete market ring had been established. Not only had the prices been raised to a very high level in the city, but the fishermen had become impoverished by low prices

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being given for their fish. The conditions became so bad that the City Council took over the whole of the marketing of fish, and as a consequence, the price to the consumer has been reduced, a better supply provided and larger returns are being obtained by the fishermen. Notwithstanding this, however, many of the fishermen are still tied to original market auctioneers.

Fish Supply of Victoria.

The fish are consigned by the fishermen to the salesmen in the city market, and they send some away to the larger country towns, to the suburban markets and a few shops. But most of the fish is sold to numerous hawkers, who arrange "rounds" between themselves to distribute it throughout the city. Taking the average throughout a whole year, the following are the returns of the Melbourne market. For example:—

	Per lb. of Fish.
Fisherman's net return for his labour and use of boats, nets, etc.	1½d.
Freight to market	½d.
Ice, market dues, and 10 per cent. commission, &c.	½d.
Total accounted for cost	2½d.
Price paid by the public	6d. to 10d.

Obviously it is not the fisherman who is making the money, his share is only 1½d. out of 6d. to 10d. per lb. On some occasions it even costs him more to get the fish to market than he receives for it. But it is the private fish salesman and the hawkers who make the money out of a system of distribution which is in any case highly inefficient. A hawker buys a few shillings' worth of fish in the market and sells it for £1 or more. This constitutes a day's work.

If there be a plentiful supply, fish are quickly knocked down and the prices fall. The hawkers will not buy any more than their average quantity, so the salesmen then buy the fish in at the low prices, and put it into the refrigerating chambers—there to be kept till there is a scarcity of fish as a result of rough weather. The salesmen then bring out their fish (perhaps a week old), and get high prices for it from the hotels and restaurants, and the public take their chance of its being fresh or not.

It was stated as a fact before the Royal Commission on the Fishing Industry that the salesmen in Melbourne give

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fish to hawkers to sell; if they do not dispose of the whole of it, it is carted back and put into the refrigerating chamber, although it has been exposed for sale on a barrow in a dusty city street for a day. On a favourable price offering it is taken out again and sold.

In order to make certain that they will not have a lot of fish on which they will have to pay freight and commission, and get little return from the market, the fishermen restrict their catch, and on occasions agree amongst themselves as to the proportion of fish they will throw overboard.

We thus see that—(a) the fishermen form a combination to keep up the price of fish, and will even destroy it rather than send it to market to be sold at low prices; (b) the salesmen combine in the markets, rig prices, buy fish in at low prices, and get fishermen, shops and hawkers tied to them; and (c) the hawkers combine and allocate to themselves certain rounds, so that each will be free from a competition that might lead to reduced retail prices. The high price of fish can thus be explained.

The Fruit Supply.

Another anomaly is to be found in the fruit supplies of the various large Australian cities. Orchards abound within reasonable distances of the cities, yet fruit is at high prices, and is considered almost a luxury, whilst those growing it have to be content with lowest returns. The operations of the jam factories have been dealt with in another chapter, and are, in a measure, responsible for the low prices paid to orchard owners for jam fruits. With other classes of fruit, unless the orchardists are in a position to deliver fruit direct to the shops or consumers, the price they get is out of all proportion to the selling price.

The marketing of fruit is in the hands of Greeks and Italians; they also monopolise the larger shops in all the larger cities. At the various markets they arrange the bidding for fruit to suit their own ends, and by agreements in selling and buying prices, the selling price of fruit is kept up and the prices paid to growers are depressed.

The most noticeable ring is that in Bananas. In Melbourne and Sydney the whole of the banana trade is in the hands of the Chinese. It has been said that there is hardly a banana brought into these cities except through the agency of the Chinese, who seem to have both the fruit supplies and retailers absolutely tied to them, and they arrange among themselves the selling price of the fruit after it has been stored to ripen.

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Milk Distribution.

Although most of the Australian cities are conveniently and closely situated to dairying lands, the supply of milk is unsatisfactory in service, and unreasonably high in price. Owing to the "spread out" condition of the population the whole of the milk distribution is done by carts working from some railway station or milk depot, where the milk is received from the country dairies and farms. Unlike European towns, distribution by retail shops is practically unknown. There being no organisation in the milk trade in so far as localising the milk rounds is concerned, there is much overlapping and wasted effort, and the whole system of distribution is most uneconomical. A dozen carts may traverse the length of a street, and pass the same house, to which only one will supply the milk. The distribution costs are, therefore, very high.

But apart from this, the cost of milk is increased by agreements between the retailers as to prices. Taking Melbourne as a case in point—the wholesale price is fixed by the Victorian Wholesale Milk Producers' Association, and the retail selling price is fixed by the Melbourne and Suburban Master Dairymen's Association, which consists of all, or practically all, the retail milk vendors in the city and suburbs.

The latter Association, whilst in no way interfering with the rounds of the various members with a view of localising the trade of each (with a consequent gain of efficiency), periodically fixes the retail selling price of milk on the basis of making it about double the wholesale price which the Producers' Association fixes.

Whilst little capital is required to start a milk round, almost insurmountable difficulties are always experienced in building up a new business; it is usually killed by a too scattered distribution. Those in the Association and owning milk rounds have therefore virtual monopolies, and they agree never to interfere with one another's customers. The individual consumer's needs are too little, and the time of the visits of the milkman are too inconvenient, for him to change his suppliers. A large number of small customers, not knowing one another, are unlikely to take concerted action. In any case, unless a milk vendor outside the Association willing to supply milk at a lower price is found, there would be no advantage to be gained by a change.

The result of this unfortunate state of affairs is shown by the prices in Melbourne, where the Master Dairymen's Association have decided that the retail price of milk delivered

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to the consumer shall be about double the price they pay to the dairy farmer for milk delivered at a suburban railway station. The retailer therefore adds nearly 100 per cent. to the price of milk for merely distributing it; or, in other words, he takes as much, or nearly as much, as the dairy farmer, who has to provide the land, cows, feed, labour in milking and transport of milk to the city.

This combination of Retail Milk Vendors gives an example of one of the worst features of the Trust Movement. It allows an absurdly inefficient system of distribution to be perpetuated, and at the same time the profits are raised to practically a maximum. It is instructive to compare the operations and their effects of such a combination as this with the conduct of business, prices charged, and profits made by efficient combines as exist in sugar refining, tobacco, and inter-State shipping.

An example of arbitrary price fixing occurred in February, 1914. At a meeting of the Melbourne and Suburban Master Dairymen's Association held on 19th February, it was decided to increase the retail price of milk to 5d. per quart, the wholesale price at that time being 10d. per gallon, or 2½d. per quart.

Information received from a dairy farmer is to the effect that the fair average price for milk delivered at a Melbourne railway station during the two years ending May, 1914, has been 8d. per gallon (during April, May and June, 1914, the price was 10d.), and if delivered at the retailer's yard, the price has been 9d. per gallon. During the same period the retailer's prices have varied from 4d. to 5d. per quart. This farmer said: "It is generally recognised in the trade that retailers' selling price is 100 to 125 per cent. over price paid to farmers."

The loose nature of the agreement between members of the Wholesale Producers' Association has prevented a high wholesale price of milk being maintained, as producers from the outer country would send milk to Melbourne; the Retailers' Association, however, maintains its complete ring.

Furthermore, the existence of an association of this nature preserves the interests of all members, as the abolition of competition prevents any evolution of methods which would lead to the inefficient units perishing, and so allow large, efficient, well-organised monopolies being established.

The city of Melbourne consumes some 30,000 gallons per day. At a retail price of 1s. 8d. per gallon, or 5d. per quart, the total expenditure on milk would be about £2500 per day;

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if 1s. per gallon is paid to the farmer for delivery at the suburban railway station, there is £1000 per day absorbed in distributing the milk, or a charge of £365,000 per annum.

That this sum allows of large profits to the retailers can be gathered from the fact that the price of the goodwill of a milk round in Melbourne is £1 5s. per quart per day.

(c) The Retail Grocery Trade.

Many attempts have been made all over the world to form rings, and fix unreasonably high selling prices in the retail grocery trade. Another such attempt was made in Melbourne by the Grocers' Association of Victoria in April, 1914.

If there has been no previous combination, intimate relations are generally established between competing employers by demands of employees and the necessity (through the requirements of the law) to send representatives to the Wages Boards and Arbitration Courts, to determine rates of pay, etc. These intimate relations usually ripen into the formation of an "Association," and it determines selling prices.

In cases of increased wages awards, attempts are usually made to raise prices above that which the increase in working costs would justify.

Increased wages, due to a Wages Board Award, was the ostensible reason given for the general increase in prices of groceries in Victoria during April, 1914. The law enforces compliance of employers in regard to payment of increased wages, and therefore the law, if reasonable prices are assumed to have previously existed, virtually requires that retail prices be raised.

During the first week in April, 1914, the Council of the Grocers' Association of Victoria issued the following circular:—

"Revised Retail Price List."

"The attention of members and the grocery trade generally is drawn to the following retail price list, which has been revised and approved by the Grocers' Association of Victoria Council in order to meet the increased demands made by the introduction of the 'new award,' which comes into operation on 13th inst. Members and non-members are urged to assist in their own movement of 'price protection' by loyally and strictly adhering to the list.

"The list comes into force on Tuesday, 14th April.

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"The following list gives a comparison between the existing prices for the commodities mentioned and the revised rates which will come into force on Tuesday:—"

Commodity.	Existing Price.	Revised Price.
Flour, 25 lb. bags	2/4½	2/9
Oatmeal, 2lb. flake	0/5½	0/6
Starch, per lb	0/5	0/5½
Soap	0/3½	0/4
Nestle's Milk, per tin	0/7	0/7½
Kerosene, per tin	3/9	4/3
Sugar, 1A, per bag	13/10	15/-
Tinned Fish, Salmon	0/6½	0/7½
Cocoa, 8 oz. tins	1/6	1/7

(The above are only a few of the 59 revised prices mentioned in the schedule.)

"The increased wages which grocers have to pay under the new award are:—Branch managers, from £3 a week to £3 10s.; first assistants, from £2 10s. to £2 15s. a week; and drivers, from £2 5s. to £2 10s. a week. Corresponding increases are given to improvers and ordinary hands."

Whilst most householders submitted to the increased prices, the press endeavoured to work up a resistance. Immediately after the increase of the price of groceries, the Melbourne "Age" gave the following as a result of an interview:—

"A suburban grocer, not a member of the association, stated that in regard to branch shops, where only one man, a carter and a boy were employed, the increase in wages would only amount to 17s. 6d. a week at the most. Under this new list, the rates stipulated for sugar alone would enable a grocer "doing" ten bags a week to add to his profits to the extent of £1 9s. 2d. a week. A shop with a weekly output of ten bags of sugar would not employ more than three hands. In the past, however, grocers were able to make very little out of sugar. In the larger shops, where the employer managed his own business and employed several hands, the new award only provided for an increased wage of 5s. a week for each adult hand. Kerosene (White Rose) was raised from 3s. 9d. a tin to 4s. 3d. This would give the grocer a good margin of profit. Looking carefully over the list, it was clear that advantage had been taken of the new wages board determination to make another attempt to fix prices. It remained to be seen whether the effort would be successful. There was no doubt whatever that the new prices would return to grocers a sum infinitely greater than that which they were compelled to pay as additional wages. The association was endeavouring to control prices. If it secured this control the public would be the sufferers, for grocers could then charge simply what they liked."

On the other hand, it should be mentioned that the Civil Service Co-operative Stores have adopted the raised prices for several commodities.

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Unless the Grocers' Association is sufficiently powerful to influence the Wholesale Grocery Supply Houses to refuse supplies (except possibly at higher rates) to those grocers or others outside the Association, there is little possibility of a combination of retailers being able to permanently raise prices above a reasonable standard. Every attempt in England and elsewhere of retailers forming a combine in groceries, clothing, and such like commodities, has so far failed, but the closer association in Australia always weakens the safeguard of competition.

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CHAPTER II.

The Beef Trust.

(*a*) *In United States of America.*
(*b*) *In Argentine Republic.*
(*c*) *Operations in the English Meat Market.*
(*d*) *In Australia.*

What is known as the Beef Trust is an organisation consisting of several allied meat producing and preserving companies. These corporations originated in Chicago, U.S.A., and resulted from the amalgamation and absorption of smaller interests. After working in competition the inevitable agreement was arrived at, and each corporation was allotted shares in the other corporations, whilst subsidiary companies, whose stock was wholly held by the large allied corporations, were formed to take over branches of the meat industry, in different parts of North America, in Argentina, and now, in Australia. The whole of these allied interests, held together by interlocking directorates, constitute the Beef Trust, which, by controlling the international frozen and preserved meat trade, is fast obtaining a monopoly of the world's trade in these commodities.

Its operations have had great effect on the industrial life of the United States, and as it is likely to soon control the meat markets of the world, and as it is about to commence operations in Australia, detailed reference to it is desirable. More particularly is this necessary, because of the very varying views held as to whether its advent to Australia will be advantageous to the Commonwealth or the reverse. The pastoral industry of the Commonwealth must be beneficially or detrimentally affected by the advent of the Beef Trust, and this industry is of prime importance to the Commonwealth.

To appreciate what is likely to happen in Australia, it is necessary to describe the Beef Trust's operations in United States and the Argentine, as well as the nature of its control of the meat markets in England.

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(*a*) *The Beef Trust in United States of America.*

Possibly, as far as aggregation of capital is concerned, the Standard Oil Trust and the United States Steel Corporation are the most influential corporations in the world; but in the effects of trust operations on a country, the Beef Trust has been the most influential.

It is generally alleged that the Beef Trust fixes the price of fresh, salted, smoked, or preserved meat, ham and poultry consumed in the United States, and has an absolute monopoly in the supply of fertilisers and bone products. It is difficult to say to what extent this is true, but the Beef Trust has undoubtedly obtained a monopoly in the export of preserved, frozen or chilled meats, and all hog products from North America.

The secret of the Beef Trust's power, and the means whereby it was created lies in the rebates paid by the railroad companies. It has been estimated by C. E. Russell in his "Greatest Trusts in the World," that these rebates (prohibited by law) would in 1909 have amounted to over £5,000,000.

The American Beef Trust consists of the following corporations, viz., P. D. Armour, G. F. Swift, The National Packing Co., and N. Morris; smaller companies connected with the Trust are Messrs. Cuddhy, and Schwartzchild and Sulzberger.

In Australia, meat is carried to the markets alive and slaughtered where it is to be consumed. In America, however (owing to the great distance to be traversed), cattle have to be killed in the west and transported in refrigerating trucks to the east. The meat companies built and own trucks to the extent of 50,000, and they forced the railroad companies to haul these at "Private car rates." This arrangement allows of rebates in disguise, and they, together with temporarily-increased prices for stock, and decreased prices charged for meat, forced every slaughter house in Chicago, and the principal cattle centres, under the control of the above large associated preserving companies or shut them up, ruining their owners.

It has been generally thought that the railroads of United States have dominated all other trusts and enterprises; but the American Beef Trust was so powerful, and its traffic so extensive, that it has dictated to the United States railroad companies. By owning all the refrigerated cars in the country, the produce the Trust did not actually control

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had to be transported in the Trust's cars. By charging for "icing" at exorbitant rates, the profits of a competitor's trade could be regulated.

For many years, also, a secret rebate of ¾ cents per mile per truck was paid to the Trust by the railroad company for the privilege of sharing in the Trust's business.

It can be easily understood, that the arrangements in connection with the transportation of meat and meat products soon gave the meat companies associated in the Beef Trust an effective control over the whole trade, and allowed them to fix the price of stock and selling price of meat at rates most suitable for themselves.

The Beef Trust and the Farmer.

The following is the generally-accepted story of the operation of the Beef Trust:—

Whilst there was competitive buying in Chicago, Kansas City, and elsewhere, the farmer made large profits out of his cattle, and particularly was this so when the larger packing houses associated with the Trust were eliminating the competition of those outside. With the advent of the Beef Trust monopoly the buyers in Chicago were reduced to only four (Armour, Swift, Morris, and the National Packing Company). Only one of these did the bidding, the others merely offering the same prices, or perhaps less. As it was impossible to reship the cattle and no better offer could be got elsewhere, the farmer was forced to accept the only bid made, however low.

The farmer having bought store cattle, their farms and implements (probably on borrowed money) reckoning on getting fair prices for his fat cattle, found the prices offered were getting less and less, although butchers' meat was increasing in price.

To prevent failure in the cattle supplies, immediately there was any falling off, the Beef Trust would raise the price for a period; then there would be an overwhelming supply of cattle from all parts of the country, each farmer being desirous to gain what advantage he could.

The prices were again reduced to a minimum after huge quantities of cattle had been yarded. They then were sacrificed by the farmers for what the buyers for the Trust have decided on. C. E. Russell says over £2,500,000 was lost in 1904 by cattle feeders in Iowa, causing over 40 banks to close their doors; in South Dakota the loss was £2,000,000. It was also estimated that the loss per head was £1 16s. on all cattle sold to the Trust that year.

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As a result of the Beef Trust's operations, the value of cattle in the United States, it is said, declined over £36,000,000 in the three years ending January, 1905, whilst during the same period the prices of meat advanced.

C. E. Russell gives as an example of this price fixing, the New York retail prices per lb. in 1902 and 1904. The figures are as follows:—

	October, 1902.	April, 1905.
Steak	9d.	1s.
Veal	7d.	9d.
Lamb	7d.	8d.
Corned Beef	2½d.	3½d.
Bacon	8d.	11d.
Chicken	9d.	11d.
Eggs, per doz.	9d.	10d.

The average price obtained for cattle during this period was:—

October, 1902.	April, 1905.
£8/12/-.	£8/2/-.

These operations of the Beef Trust soon extended to include distribution of meat by opening and controlling retail shops. With the extension of its power and wealth, and with the requirement from each official to increase the profits of his department to a maximum, the business of the associated companies increased until, according to figures estimated by C. Van Hise, of the University of Wisconsin, 75 per cent. of the meat trade of New York, 85 per cent. of that of Boston, and 50 per cent. in western American States, was in the hands of the Beef Trust.

Although a monopoly was virtually established and the price of both stock and meat could be fixed, there was a limit. The farmer could turn his land to other uses if the price of stock was too much reduced. This actually did occur, and after a few years of low stock prices, the number of stock available for market began to decrease. This was disastrous to the Trust, its large packing houses in Chicago could not be fully supplied, and its international trade demanded that the Trust begin operations in other parts of the world. The falling off in the supply of cattle in the United States, and the consequent high prices, were the last things desired by the Beef Trust—it entailed large capital expenditure in Argentine, and more recently in Australia.

The latest Government Statistics for the United States show that since 1907 the number of beef cattle in the United

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States has decreased from 51,565,000 to 30,630,000 in 1913, and the number of sheep from 53,240,000 to 51,480,000. In the same period the population of the country has increased by 10,000,000. The price of fat cattle in Chicago in the same six years increased more than 50 per cent.

Whilst other causes than the operations of the Beef Trust have played a part, perhaps a most considerable part, in this decreased supply of cattle, there is no doubt that the lowered prices, due to the operations of the Trust between 1900 and 1905, were largely responsible for the decline in the pastoral industry.

The American Meat Packers' Association (virtually controlled by the Beef Trust), holding its annual convention at Chicago, 1913, in an endeavour to check the decrease in the cattle supply, voted a fund of £100,000 to be expended in "educating" the farmers to a knowledge of the profits awaiting them if they raise more cattle. The money is to be spent in five annual portions of £20,000 each, strictly in a campaign of education among the farmers.

The President of the Association, Mr. Gustar Bischoff, of St. Louis, in his address, said:—

"Within the last ten years, the percentage of decrease in the cattle supply has been fearfully large. If this decrease continues at the same rate during the next ten years a crisis will be reached. This, should it happen, will mean more than mere privation. It will mean that the working class of America must live on a diet of rice and potatoes. And if that era ever sets in, there quickly will be noticed a national decline. Packing houses will be closed up, and working men, who are now making good wages and comfortable livings, will be thrown out of employment. Much of the country's money will go to foreign countries. We will be a nation of dependents."

Whilst there is no doubt but that the farmers lost heavily as a result of the low prices paid for stock prior to 1905, of recent years large profits have been made by stock breeders. Thus a writer in the "World's Work," October, 1912, says:—

"Ten million head of cattle are converted into beef every year. Say that they weigh 1200lbs. a piece—a low average. One cent per lb. for the packers would mean 120,000,000 dol. a year. Not even the yellowest of the yellow journals ever accuse the Beef Trust of making that much—it is not the packers that are getting it—it is the farmers."

It cannot be said that 1 cent. per lb. for killing and dressing beef is an excessive profit.

In the same article an example was given of an actual purchase of fat steers at South St. Paul stockyards, by Messrs. Swift and Co. It showed that it was bought for

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82 dollars, and produced, in dressed marketable beef, 58 per cent. of its live weight, and at a cost of 10¾ cents per lb. On the same date, at the prices ruling for commercial cuts and marketable meat, the value of the meat would be 75.52 dollars, as against a cost of 82 dollars.

It is the by-products from the prime cattle (amounting in value to 25 per cent. of the total production), using poor grade stock, and selling the preserved and canned meats made from the latter, that have given great advantage and additional profit to the Beef Trust. The superior efficiency of the large organisation and manufactories allows the whole of the animal to be used to the best advantage, whilst their selling organisations allows the best prices being obtained for every particle of the animal.

Dissolution of the Beef Trust.

C. Van Hise, in his work on "Concentration and Control," say that with a capital, in 1905, of 93,000,000 dollars, and a gross business turnover of 700,000,000 dollars per annum, the Commissioner of Corporations considered in a report on the question in 1906, that the Meat Companies were not over-capitalized, or were not making excessive profits.

In 1912 the American Beef Trust was broken up by threatened action in the Federal Courts, under the Sherman Anti-Trust Law. Whilst it had been acquitted on a criminal indictment (for conspiracy in restraint of trade), heard before the United States district court at Chicago, the Government contemplated a civil suit, to compel the National Packing Co. to dissolve. Before this action was taken, however, the Department of Justice announced that the representatives of Armour and Co., Morris and Co., and Swift and Co., had advised the department that they would voluntarily disintegrate the combine. The division of the assets among the three organisations gave 46 per cent. to Swift and Co., 40 per cent. to Armour and Co., and 14 per cent. to Morris and Co., the partition being on the basis of the stock holdings in the Beef Trust.

Since then the prices of meats have considerably increased in America, and it appears that whatever effects the combination in restraint of trade may have had on prices, they have not in the least been lowered by the dissolution of the Trust. There is little doubt but that the same general control of the business originally possessed by the Beef Trust is still in the same hands, and the same profits are being made.

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Messrs. Swift and Co., the corporation which has been interesting itself in the export of meat from Australia, and which has already erected large works at Brisbane, made a profit of $3,850,000 in 1904 on a capital of $35,000,000. This profit represented 11 per cent. on the capital, or 1.9 per cent. on their entire turnover during the year. In 1913 this company declared a profit of 13⅔ per cent. on an increased capital of $30,000,000.

The Case for the Beef Trust.

There can be no disputing the fact that it is largely due to the organisation and efficiency of the Beef Trust that the United States were enabled to build up the large export trade in meat and meat preserves. Vast profits were earned through exporting this chilled meat, and the United States were enriched as a result of it; and even now the export of preserved meat and hog products is still of great profit and advantage to all concerned, and to the farmers particularly.

In the buying of their raw products and selling of their finished articles, individual packers, acting in competition, could never have built up the large export trade, nor could they have reduced the working costs, to the extent the large meat works in Chicago have done; neither would they have had the capital available to organise the selling of meat in Europe.

Without combination, the meat export trade of America might have been in as unsatisfactory a state as it is in Australia to-day, and it is very possible that the American farmer would have suffered more, by having a lower price for the exported meat products, and by a more expensive and less efficient system of meat packing.

There is no gainsaying the fact that the concentration of the business enabled new markets to be captured, and there has always been sufficient enterprise with the Beef Trust to take full advantage of the improvements in processes, and the utilization of by-products. The capital available has enabled this to be done to a far greater extent than if the meat preserving industry were in an unorganised and competitive state.

Looked at from the point of view of all those connected with meat preserving and distribution in America, but who were outside the Trust, the operations of the Trust have been disastrous; and there is little doubt that the operations of the Trust have detrimentally affected prices from both the producers' and consumers' point of view. It has been

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always out for profit, and great profits have been made. But it has not been proved that if the meat industry of the United States had developed along the original competitive lines, the prices would have been, on the whole, any better.

There is this much certain, however—the costs between the producer and consumer would have been much heavier and the finished production would not have been as good. Attempts would have been made by each meat works company to draw its supply from all sources, and sell its products in all markets; there would have been no localising of effort—an essential in the treatment of a perishable product.

Most important of all, from the point of view of the United States export trade, the combination has enabled the prices to be raised and fixed in foreign markets—in this the interests of the Beef Trust and the stock producers are identical.

As with any exportable product, the fact that high prices were obtained in Europe for American meat automatically caused the selling price of meat in the home market to be increased.

(b) *The Beef Trust in Argentine Republic*

As the conditions of the meat industry in the Argentine were somewhat similar to those in Australia, it is of considerable importance to state the effect the operations of the Beef Trust have had in the South American Republic.

Some years ago Swift and Co. obtained a controlling interest in the La Plata Cold Storage Co., and Armour and Co. and Morris and Co. bought the La Blanca Company's works, and began erecting other works in the Argentine.

With the decline in the exports from the United States in 1907-08, there was sufficient market for the whole of the output of the Argentine meat works, and both English and American companies could sell the whole of their outputs. The size of the various works was soon increased.

Owing to unregulated, and sometimes heavy, shipments, depressed prices ruled at Smithfield, and at times shipments resulted in a loss. In order to improve market conditions, all the seven Argentine meat companies (both English and American), in 1911, made an arrangement to regulate supplies. The London "Times" declares that while the agreement was in force, neither the market conditions nor the profits earned by the companies gave any grounds for the charge of cornering. At the same time, the existence of

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an understanding caused dissatisfaction among cattle breeders, and it was stated in the course of an investigation made by the Argentine Government that the exporting companies had fixed maximum prices for stock.

In April, 1913, one of the American companies withdrew, on account of the "conference" (of all the companies) refusing to allow the La Blanca Co. an increase of 70 per cent. in its beef shipments. This caused a break in the relations between the Anglo-Argentine and the American companies. From this out the shipments by the American companies largely increased. In order to obtain supplies, the price for cattle was increased, and to capture the London market the selling price of chilled beef was depressed.

Whilst the American companies have nominally become disassociated, through the dissolution of the Beef Trust in America, there can be no doubt as to their working together. The London "Times" remarks that, whether an agreement exists between them, or whether they are acting in acute competition with each other, is really beside the point. "Whichever theory is accepted, the effect is the same upon the immediate interests of the other five companies handling the trade, upon the near and vital interests of Great Britain and Argentina, which are palpably involved, and upon the more remote interests of other parts of the British Empire."

The Anglo-Argentina companies have been working in conjunction, to meet this competition in both buying and selling, but heavy losses are being made by all concerned. The extent to which English investors have suffered in connection with this matter may be gathered from the following figures, representing the decline which has taken place since the beginning of the year in the share values of the principal Argentine meat companies:—

According to the London "Financial Times," "The current price of the £1 ordinary shares of James Nelson and Sons is 12/-, as against 19/3, while the first £1 preference shares have dropped from 20/- to 17/-, and the second preference shares from 20/- to 16/-. The £1 shares of the Smithfield and Argentina Meat Company have fallen from 20/- to 11/3; and the corresponding issue of the River Plate Fresh Meat Company from 30/- to 15/-; while in the case of the Sansinena Frozen Meat Company the 100dol. shares are now quoted at 110, as against 175 at the end of 1912. These movements speak for themselves, and it is to be feared that there will be very little recovery in the near future."

The London "Times," commenting on the situation, says:—

"A continuance of current conditions seems to offer a choice of two alternatives to the Anglo-Argentina companies—to wind up while they can pay their creditors and shareholders in full, or

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to continue to trade at a loss in the hope of Government action in England or in Argentina intervening to prevent the entire business falling into the hands of two concerns under American control."

Whilst the meat exporting companies may be detrimentally affected by the advent of the American Beef Trust into the Argentine, the following, appearing in the "Financial Times," London, 13th October, 1913, will indicate how the Argentine stock-raising companies are benefiting:—

"But whilst the exporting and distributing undertakings have suffered, companies engaged in the estancia business must have made considerable profits. The American Trust by its policy of buying up all available supplies of live and dead stock has raised prices to a very high, if not a record level, and the ranches have not been slow to benefit from a development so greatly in their favour. The report of the Argentine Southern Land, on which we briefly commented the other day, exhibits an increase in total receipts of £8000, or over 21 per cent. Income from sales of live stock rose from £13,100 to £23,200, whilst that from wool, stores, etc., was practically stationary at £20,600. Notwithstanding the larger sales of stock, estancia and general expenses were actually slightly lower, and the net profit at £27,000 is £12,200 up. The report does not say much about the prices realised for stock, but what appears indicates that, as was to be expected from the circumstances referred to above, they were much better than is customary. Of cattle it is remarked: 'The price of store stock has been higher than usual during the past twelve months, enabling an increased profit to be realised.'"

The severe competition, with the prospect of it ending in a monopoly of the meat trade of the Argentina being obtained by the associated American companies, led to the Argentine Government making an investigation of the position. A press report of the investigation, in 1913, and its results, is as follows:—

"During the investigation the American buyers maintained that they could pay £13 10s. to £14 per head and sell at a mean animal price of 3½d. per lb. without loss, and make a profit at 4d. They claimed to have better agents in England, and that they bought a high quality of stock, yielding 770 lb. beef, of which 95 per cent. is exported chilled, against 80 per cent. of beef bought by the Anglo-Argentina companies; they also claimed to make better profits from by-products. The committee appointed gave a unanimous opinion that Government intervention was unjustifiable in present circumstances, and stated that they would advise preventive measures only in case the Americans, as sole controllers, should try to establish arbitrary prices for stock. This advice was adopted by the Government. When it became known that no protective measures were to be taken at present, the Anglo-Argentinas gave notice of their intention to reduce exports by 25 to 50 per cent.

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"Prices for cattle suitable for chilling are at least 50 to 70 per cent. higher than they were two or three years ago, and as the foreign buyer is paying this price and for the present, at any rate, doing a vast service to the Argentina cattle industry, it was not likely that the Government would do anything to check a condition of things of such marked national advantage. At the same time, local beef consumers have also to pay an abnormal price as a consequence of the demand for shipment. In some parts of the province of Buenos Ayres meat of a very ordinary quality is being retailed at from 9d. to 10d. per lb., while first-class Argentine beef is being sold wholesale in London at 4d."

Concurrently with this, and the decline in the export meat trade of the United States, the American companies are making large additions to their establishments in South America. It is reported that Swift and Co., which already has £2,000,000 invested in South America, is about to erect another meat works at Monte Video, at a cost of £600,000.

(c) *Operations of the Beef Trust in the English Meat Market.*

The London Meat Market, and the prices ruling there, virtually govern the prices throughout the meat exporting countries. The influence of the Beef Trust in this market is, therefore, of great importance to meat-producing countries, like Australia. If the Trust can regulate prices in London, then it can regulate the price of meat in Australia as long as this country has a surplus of meat that will have to be exported.

For many years the Smithfield market in London drew most of its foreign meat supplies from North America, principally Chicago, and the Beef Trust companies, during this period, obtained control of many of the stalls in the market, and came to arrangements with many retailers.

As supplies from the United States fell off, Argentine was drawn on to keep the arrangements going. To supply the demand, it is now desired that Australia should be drawn from also.

The present competition between the American and English Argentine companies has caused a decline, during 1913, of 1d. to 2d. per lb. in the wholesale price of Argentine chilled beef in England, and, therefore, other beef as well. But this is only temporary. With the stoppage of this competition, and Australian exporters brought into line, the selling price of meat can then be greatly increased in England.

Sir George Reid, High Commissioner for Australia, commenting, in 1913, on the operations of the Beef Trust, is

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reported to have said, in regard to the position of Smithfield Markets:—

"The trust companies are quietly and steadily endeavouring to undermine all their competitors. To do this they often sell their meat below current quotations, incurring temporary losses cheerfully as long as they can beat the rival off the field. They are prepared to give any amount of money in order to secure tenancies of any of the stalls at Smithfield meat market in London. I cannot say of my personal knowledge, but I was told on good authority that one of the American companies offered to pay £8000 for the weekly tenancy of a stall which would be considered a very small shop. This action obviously had a motive beyond ordinary business."

Mr. W. Angliss, owner of the largest meat works in Victoria, in giving evidence, in 1912, before the New South Wales Commission on Food Supplies, said:—

"The Beef Trust holds such a position in the meat trade of England that it can go a long way towards controlling prices. It controls 40 per cent. of the Argentine trade, and it is a big buyer of Australian and New Zealand frozen meat; it controls 50 per cent. of the frozen meat supply of England."

There is little doubt that the American Beef Trust will soon get control of the Smithfield market, and thereby get control of the principal meat-distributing agencies throughout England. In this event the Beef Trust would be able to dictate prices for Australian meat; and this whether they were actually established in Australia or not. To govern the price of Australian meat in London will be to govern the price of meat and cattle in Australia.

(*d*) *The Beef Trust in Australia.*

It was not until 1912 that the American Beef Trust made any active movement towards entering the Australian meat export trade. After considerable inquiry, and much negotiation with local freezing companies, with a view of buying them out, Messrs. Swift and Co. began erecting a works on the Brisbane River, which would be capable of handling and freezing some 450 cattle and 2000 sheep per day. In addition, Messrs. Cordingley and Co.'s canning works, some fourteen miles from Townsville, Queensland, have been acquired by the same company.

Whilst several offers, it is understood, have been made by members of the American Beef Trust to buy out local companies' works, they have so far been unsuccessful. Whether, in view of what has happened in the Argentine, the existing companies will come into line, and allow their works to be taken over, or their outputs and prices to be

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controlled by the American companies, or whether they will attempt to fight the Beef Trust companies, remains to be seen. In any case, it is generally considered that for a time, at any rate, the establishment of large and more up-to-date works in Queensland can do nothing but good to the pastoral industry.

The inefficiency of the present Australian meat works, the relatively unsatisfactory state in which they put meat on the English market, the endeavours of these works to keep the price of stock down to a minimum, the comparatively little use that is made of the by-products, are considerations that justify the introduction of a competition by companies using better methods.

If the existing Australian institutions go to the wall, as a result of this competition, it is because a better efficiency and organisation in manufacture in Australia, and selling in London, have been introduced into the trade; it will not be, as some allege, solely a matter of money, and monopoly that money brings. To this extent Australia and the world will gain.

There will be a greater demand for stock with the advent of the large modern and efficient American meat works; and better prices can be paid, because better use will be made of the prime meat and the by-products. Furthermore, it is probable that by the time the Beef Trust obtains anything like control of the Australian trade, its commanding position in the Argentine will enable it to increase prices in London and other meat-consuming markets, and so enable a much higher price being obtained for Australian meat products.. With the increased demand for meat, the prices for meat can be kept up, and all concerned in the supply will benefit.

There are several factors that will prevent the American associated companies injuriously affecting Australian interests. The railways are State-owned, and both political parties will be against any extravagant profits, such as would injure the pastoral industry. The close proximity of the local market to the sources of supply would always prevent corners, and it is doubtful if the Trust would be concerned in the local supply of meat at all. If a larger profit is made out of the export of meat, the Australian pastoral industry will share in it, because it will be necessary for the meat factories to pay increasingly higher prices for stock, or otherwise land will be put to other uses than cattle raising. The experience of the Beef Trust in America will prevent

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anything being done that will prejudicially affect the pastoral industry and the raising of stock.

It has been the decrease of the supplies of sheep and cattle in the United States that has killed the very profitable export trade the Beef Trust at one time carried on in North America, and forced the various constituent companies to undertake great expenditure in Argentine and Australia to maintain meat supplies.

The Premier of Queensland, reviewing the position, in December, 1913, in the light of the erection by Swift and Co. of a large meat works on the Brisbane River, said:—

"In regard to the Beef Trust, it was perfectly true that Swift and Co. were erecting on the Brisbane River the finest meat works south of the line, and that the company was spending money on the works. But the company has asked for no concessions from his Ministry. The company is there for business, and its operations cannot fail to be beneficial to stock raisers. I am not worrying about trusts or combines. The Ministry holds control, for all the railways are owned by the State. In the United States, by reason of establishing private railways and transport companies, they have been able to put their competitors at a great disadvantage; such a thing cannot possibly occur in Queensland, hence we are not apprehensive. If there is at any time, however, any indication of operations inimical to the public interests we can promptly deal with it by State legislation. I believe the same firm has acquired interests in North Queensland, but I cannot learn of anyone except political shriekers who are the least concerned."

Whilst, no doubt, the existing meat factories will be detrimentally affected, and the more inefficient of them will probably be ruined, and the selling prices of meat in Australia will rise, it is difficult to see how the pastoral industry of Australia cannot benefit, on the whole, from the advent of the American Beef Trust. The Melbourne "Age," a newspaper opposed to the interests of trusts and combines, in an article reviewing the operations of the Beef Trust in the Argentine and in Australia, in 1913, stated the following:—

"Before breaking point arrived, however, the Argentine Government, which is justly alive to the gravity of the situation, would undoubtedly exercise its veto to preserve the pastoral industry from exploitation. The whole position, as the 'Times' points out, can be regulated by decree, by taxation, or by the enactment of measures against combinations in restraint of trade. In the same way, if Swift and Armour opened up operations in Australia and their action became injurious to local producing interests by their acquiring a monopoly of the beef export trade, there is ample power under the existing law to prevent their doing any serious harm. So far from viewing the

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introduction of American packing houses with apprehension their advent should be welcomed as giving a much desired fillip to a badly organised and nearly moribund industry. This great continent, with its immense pastures and millions of acres of grazing country, furnished last year only 14 per cent. of the imported meat consumed in the United Kingdom, as against 18.17 per cent. from little New Zealand. We are badly in need of capital and enterprise to develop the illimitable possibilities of our frozen meat trade."

At a later date, viz., 7th May, 1914, in a leading article advocating control of the Beef Trust by the Federal Government, so as to prevent any injury being done to the pastoral industry the same newspaper said:—

"That, soon or late, a shrinkage in production has been the one unvarying concomitant of the American Beef Trust's operations in every country it has honored with its octopus attentions. . . . . The American trust, as history teaches us, wants tremendous profits, and it wants them quickly. Its cardinal aim, therefore, is to secure every pound of meat it can obtain in the producing country, and to export that meat as rapidly as possible to Europe, where the demand is practically unlimited. It would not pay the trust, of course, to exhaust its buying market in one coup, but it is not very concerned either to avert or retard exhaustion as long as it can buy and sell. Its maxim is, let the producing country take care of its own restocking as best it may."

The facts that pastures become exhausted, that pastoral lands have to be used for agriculture when population increases, and that stock raisers deplete their herds in a short-sighted desire to take quickly the high profits, are very important considerations making for a decrease in the numbers of cattle. An exporting meat company wants a cheap and plentiful supply of cattle, not depleted flocks and herds, and high prices in Australia.

Effect of the Beef Trust Operation on the Local Price of Meat.

Meat has been at a lower price in Australia than in any country in the world, in fact it has been selling at below its true value. Whilst this has been highly advantageous to the Australian consumer, it has necessarily held back the development of the pastoral industry.

The rapidly increasing demand for meat in all countries in the world, and the decreasing supplies in thickly populated countries, must cause a general rise in the price of meat, and unless Australia cuts itself off from the rest of the world the value of cattle must rise and local meat will go up proportionately.

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Apart from this, however, there are other considerations which must increase the price of stock in Australia, and these considerations must be regarded as absolutely legitimate results of the better methods of preparation and selling of Australian meat that would be established as soon as the American meat companies enter into the export trade.

Up-to-date factories will produce a better article, and it will be placed on the London market in a much better condition; The Beef Trust's works will be much more efficient, and by-products will be used to a greater extent and be of greater value.

The advent of better methods makes stock—the raw product—intrinsically much more valuable; if Australia is to have an export trade, then the home price of the raw product must rise. It is immaterial to the stock raiser whether he sell to the exporter or the local butcher; the latter must, therefore, increase the prices he pays to pastoralists in order to get stock. This increased price will be passed on to the Australian consumer. He is worse off, but Australia has benefited by getting a higher price for the meat that is exported.

An export duty on meat would be efficacious in reducing proportionately the local prices.

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CHAPTER 12.

Private Monopolies Created by Legislative Enactment.

(*a*) *List of Private Monopolies in Australia.*
(*b*) *The Silverton Tramway Company.*
(*c*) *The Metropolitan Gas Company, Melbourne.*
(*d*) *The Australian Gaslight Co., Sydney.*

The previous chapters deal with some of the principal industries in Australia which have become monopolised by one company, or by a few allied companies or associated individuals. These monopolies have been created in spite of the general desire of the people, whose convenience was never once considered, and the prices that have been fixed, and the services that are rendered, are such as would give a maximum profit to those controlling the industry. It is entirely different with those monopolies dealt with in this chapter.

A gas, or electric light and power company, a tramway company, or a private railway company, are given rights by Parliament, or by municipalities, to lay pipes, wires, or rails in certain parts. These rights, except in cases where bribery may have been used, are given essentially for the benefit of the people.

That they are monopolies is due entirely to the nature of the business, which will not allow of duplicate and competing supplies; that their charge becomes exorbitant and exacting has been entirely due to lack of foresight on the part of those granting the franchise. If proper provision had been made in fixing the tariffs to meet increases in business, and alterations and improvements in method and system, the private monopoly need not have become anything more than it was when the franchise was granted —a public benefit.

In no country in the world have fewer franchises of this nature been granted than in Australia. Some such monopolies have become with the development of the country, exceedingly profitable to the people to whom they were granted; but there are others which have returned little

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more than ordinary rates of interest, or have signally failed to do even that. In many cases the Government or municipalities have taken over the monopolies at an agreed on or previously fixed rate.

(A) LIST OF LEGALISED PRIVATE MONOPOLIES IN AUSTRALIA.

The following is a list of private monopolies that have been created in Australia by legislative enactments.

Private Railways.

(1) Midland Railway Co. of West Australia.
(2) Silverton Tramway Co., Broken Hill.
(3) Emu Bay Railway Co., Tasmania.
(4) Chillagoe Railways, Queensland.
(5) Deniliquin-Moama Railway Co.. New South Wales.

Private Tramways.

(1) Melbourne Tramway and Omnibus Co.
(2) Brisbane Tramways Co.
(3) Tramways in Hobart, Ballarat, Bendigo, Kalgoorlie, etc.

Private Gas and Electric Light Companies at—

(1) Melbourne (4) Brisbane (7) Bendigo
(2) Sydney (5) Adelaide (8) Ballarat, etc.
(3) Perth (6) Newcastle

It is as unnecessary, as it would be out of place, to give detailed accounts of the operations and profits of all the above companies. It is desirable, however, to deal with three of the companies mentioned for the sake of—(1) showing the difference between monopolies of this nature and those considered in previous chapters; (2) indicating how balance-sheets of Public Companies, even after being duly audited by a public auditor, are valueless in protecting the public by showing a true financial statement, and (3) the methods adopted by the Governments for regulating these monopolies.

(B) THE SILVERTON TRAMWAY CO. LTD.

Of the Companies operating the 770 miles of the Private Railways in Australia, the Silverton Tramway Co., the Chillagoe Co., Emu Bay Railway Co., the Moama-Deniliquin Railway Co. are the most important. The Silverton Tramway Co. is, however, the only company that is making

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The following report, showing the manner in which the present nominal capital of £250,000 (the sum on which the dividends are declared) has been built up, is interesting, and serves as a good example of the stock watering that can be performed under Australian Company laws:—

"The proposal of the directors is that, out of undivided profits, amounting to £68,351, the sum of £52,194 is to be capitalised. This will mean that the capital of the company will be raised from £197,806 to £250,000 in £1 shares. At present the company's shares stand in the market at over £5 10s. each. That price arises from the expectation of the market that some special division of profits is to take place. Assuming, as seems to be the case, that the company will continue its quarterly dividend and bonus of 2s. per share on the enlarged capital, and that the price of shares settles down to the figure ruling a month ago of £5 each, shareholders will be able to congratulate themselves upon receiving in the free scrip a bonus equal to 25s. per share on their present holding. The company has carried through previous transactions of this kind. Cash subscribed at the creation of the company was £46,800, and 3,200 shares paid up to £5 were issued to the promoters. The first dividend, paid in 1888, was 20 per cent., and the company then capitalised £41,860 by the issue of two shares for each three held. In 1889, first £17,344 and next £15,263 were similarly dealt with, shareholders in the one case getting one share for every six, and in the other, one for every eight held. In 1890, the dividend was 50 per cent., and £27,473 was capitalised by the issue of one share for every five held, while in 1891, when the same rate of dividend was maintained, a sum of £32,968 was capitalised, one share being given for each five held. This last transaction brought the total share register of the company up to 197,806, at which it has since stood. That the directors are able to make this distribution is shown, first by the large profits the company earns yearly, and next by the presence of No. 1 and 2 reserves, amounting to £100,000, and represented by cash and securities. The revenue for the past year was £169,868, and, after deducting general and traffic expenses and taxes, a profit of £112,984 remained. This total was only exceeded at the height of the silver boom on three occasions. As a matter of fact, the company to date has earned in profits since 1888 nearly £2,000,000."

Increasing the capital in this way has enabled the company to restrict its dividend to a nominal 30 per cent., whereas the amount paid is over 200 per cent. on the capital actually invested.

That the Silverton Tramway Co. is regarded as a sound investment is indicated by the fact that the market price of shares is such, that anyone who now desires to share in the prosperity of the monopoly would only get 7½ per cent. for his money so invested.

The balance-sheet and report of the company discloses little information except that profits are used to create re-

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serves which are subsequently capitalised. The company's assets are now worth about £500,000, whilst only £46,800 was originally invested. The difference, together with a yearly dividend now absorbing £125,000, has been contributed by the residents of Broken Hill and shareholders of the mining companies. The rolling stock and railway have been kept in a perfect state of repair, so that little or nothing need be allowed for depreciation.

It is impossible to say what is the actual profit made in carrying goods over the company's line; but a comparison of the freight charges in force some few years ago, on the South Australian Government railway from Cockburn to Port Pirie (a section of line which every year gives a handsome profit to the State Treasury) and on the Silverton Tramway Company's railway is interesting:—

Freight Rates between Port Pirie and Cockburn (South Australian Railways):—

Commodity.	Per ton per mile.
Coal	.74d.
Timber	1.15d.
General merchandise	3.5 to 5.7d.
Ore	.44d.

Freight Rates between Cockburn and Broken Hill (Silverton Tramway Company):—

Commodity.	Per ton per mile.
Coal	.86d.
Timber	1.77d.
General merchandise	4.35d. to 7.35d.
Ore	.86d.

The working expenses on these two systems should be practically identical.

(c) THE METROPOLITAN GAS COMPANY, MELBOURNE.

In 1877 an Act was passed by the Victorian Parliament giving the monopoly of the gas supply of Melbourne (within a radius of eight miles of the General Post Office) to the Metropolitan Gas Co., which was formed by an amalgamation of the City of Melbourne Gas and Coke Co. with two other suburban companies.

The terms of its franchise are that its dividend is limited to 10 per cent., and that the maximum price shall not exceed 7/- per 1000 feet, and that for every 1¼d. the Company charges per 1000 feet below 7/- it can pay an extra 5/- per share per annum. The Act provides that the whole property may be resumed at a price equal to 18 times the average of the previous three years net profits. Owing to this restriction and the probable public demand for re-

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duction in the price of gas or the municipalisation of the works, the half-yearly balance-sheets have necessarily to be arranged with different kinds of reserve funds, etc., so that a maximum of profit can be shown (in case of resumption) whilst a small dividend is paid. Writing down assets and at the same time adding to them by extension of gas mains and plant is adopted, so that a not too prosperous state of affairs is shown, whilst every provision is being made for increased trade and profits. Thus we have for the half ending December—

	1901. £.	1912. £.	1913. £.
Book value of buildings, works, mains	2,148,688	2,263,169	2,347,215
Sales of gas, coke, tar, etc.	178,689	336,996	368,204

The declared value of the assets has increased 10 per cent., but the sales of gas have increased 100 per cent., and the profit made has increased to even a greater extent.

The principal items in the balance-sheets during the past few years may be summarised as follows:—

	Profit.	Dividends.		Works charged to Revenue.	Reserves.
June, 1910	£71,955	10%	£42,860	£32,157	£577,900
Dec., 1910	93,701	10%	42,860	18,809	576,880
June, 1911	97,255	10%	42,860	21,333	583,087
Dec., 1911	105,170	10%	42,860	28,223	589,611
June, 1912	109,437	11%	47,147	28,923	595,351
Dec., 1912	92,231	12%	51,433	30,289	597,794
June, 1913	100,121	13%	55,719	25,228	609,408
Dec., 1913	111,474	13%	55,718	45,997	

Of the profits nearly £50,000 per year are put into extensions and improvements. The people provide these through the excessive price of gas. Yet when they come to purchase the works, the capitalised value of the profits in the previous 18 years is the basis of resumption. The people will therefore have to buy back that which they are now creating and paying for.

The Gas Inquiry Board appointed by the Victorian Government to inquire into the Metropolitan Gas Co., in dealing with appropriation of revenue to reserve accounts, said:—

> In 1911 the Metropolitan Gas Company set aside out of net profits the following sums:—
>
To Reserve Fund	£49,500
„ Meter Renewal Fund	10,000
„ Gas Stoves Account	5,000
„ Reconstruction Account	40,000
„ Unappropriated Profits	12,204
Total	£116,704

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These amounts are equal to 13.33 pence per 1000ft. of gas sold. This figure compares with the total of the annual appropriations for similar objects by companies in England as follows:—

Gas Light and Coke Co., London ..	1.79d.
South Metropolitan Co., London ..	.10d.
Sheffield Co.	.43d.
Bristol Co.	2.12d.

The 18 years purchase on the basis of profits would amount in 1914 to nearly £3,600,000; this compares with £1,800,000 eight years ago. The purchase price the municipalities or State would have to pay, it will be observed, is £1,537,000 more than the company declares its assets to be worth, and £1,400,000 more than has actually been subscribed by share or debenture holders.

The franchise has allowed excessive charges for gas, and the company has been able to pay 10 per cent. dividends for a number of years, besides spending about £1,000,000 in extending its gas pipes. The company can then increase its business and earn still larger net profits, the capitalisation of which shall be the basis of payment for resumption. The general public have to pay, their representatives in Parliament and municipal government do and say nothing; the company's profits go on increasing, so does the resumption price.

Price of Gas in Melbourne.

In the franchise granted to the company, the price of gas is fixed by a sliding scale and depends on the dividends and not on the profits; in this connection the Board of Inquiry found that:—

> "The sliding scale section of the Act enables the Company to pay dividends which are unreasonable in view of the selling price of gas."

and

> "The present price charged by the Company for lighting and heating is unreasonable."

In support of these findings, the following figures are quoted:—

	Annual Capital Charge per 1000ft.	Total W. Exes. and Net Coal Charges per 1000ft.	Net Revenue per 1000ft.
Metropolitan Gas Co., 1912 ..	1/2.08d.	2/6.43d.	4/9.84
United Kingdom (7 Cos.) ..	9.45d.	1/7.71d.	2/6.38

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The following figures will show (by comparing the different prices of gas) the advantage taken of its franchise by the Metropolitan Gas Co.:—

Birmingham	1/9 to 2/4	per	1000	Cubic Feet.
Coventry	1/9 to 1/11	„	„	„
Falkirk	2/-	„	„	„
Huddersfield	2/-	„	„	„
Manchester	2/3 to 2/6	„	„	„
Nottingham	2/2 to 2/6	„	„	„
Melbourne	4/4½	„	„	„
(By Slot Meters)	4/11	„	„	„

Manchester and Nottingham make a profit of £400,000 and £100,000 a year respectively from their Gas supply, and coal is about the same price as in Victoria. In view of the above figures, and the large profits made by the Metropolitan Gas Co., the following report of the speech by Mr. John Grice, Chairman of Directors of the Company, at the annual meeting of shareholders in 1913, is interesting in that it indicates the difficulties in satisfying a desire to reduce the price of gas to the public.

"In referring to the recent announcement of a reduction of 2½d. per 1000 cubic feet in the price of gas, Mr. Grice said that for many half years prior to June, 1912, it had been necessary to provide very large sums of money, which, being for replacements of plant, had to come out of revenue, and the profits could not be devoted to a reduction in the price of gas. Twelve months ago the company began to see the end of that portion of the present expenditure, and at once reduced the price by 5d. per 1000 cubic feet on gas for lighting and heating purposes. Despite the reduction in the price, the sales of gas for the half-year yielded £276,338, as against £266,349 for the corresponding period of last year. The sales of residual products amounted to £72,055, as compared with £66,322. The rapid increase in business during the past few years had proved the necessity for providing larger trunk mains in various districts."

(D) The Australian Gaslight Co., Sydney.

The Australian Gas Light Company has been to Sydney what the Metropolitan Gas Company has been to Melbourne, and out of its monopoly it has made as large profits and has adopted just the same way of disposing of them.

Roughly speaking, the company pays £120,000 a year in dividends; this is equal to a 15 per cent. dividend on the capital of £849,096, or 8 per cent. on its nominal capital of £1,530,000. The 253,000 shares were on the market valuation worth £2,530,000 in 1914. This shows an unearned increment of about £1,500,000; at the same time, 15 per cent. dividends have been paid during the last 25 years. In

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1910 the market value of the company's shares were £910,792 in excess of the declared assets, which were valued on 30th June, 1910, at £1,745,434. How much of this £910,792 undisclosed profit is devoted to extension of mains and excessive writing down of assets (which every year are increasing in value), and how much is the shareholders' estimate of the value of the monopoly is difficult to say. The dividend now paid represents only 6 per cent. of the present market price of the gas. The Sydney "Bulletin," in referring to the 1911 balance-sheet of the company, says:—

> "What amount of profit the Company does write off ostensibly to cover depreciations it never hints at. Here, however, are a few comparisons. Seven years ago the fixed investment item of the balance-sheet (buildings, plant, mains, land, etc.) stood at £1,268,939. It now stands at £1,243,886, or £25,053 less. Yet the 'sales of gas, etc.' for the past half-year were £291,734, as against only £188,005 seven years ago. Either, therefore, the old services supply over 55 per cent. more gas, etc., than they did seven years ago, or a great many new services have been provided. Anyway, there is the fact that a plant alleged to be worth £25,053 less is supplying over £200,000 worth more gas per annum. The most reasonable explanation is that a great many new mains and a great deal more plant have been provided, but that the whole of it has been paid for out of revenue, while £25,053 of revenue has also been written off the old plant, in other words, has been put into stores and liquid assets."

During 1912 the New South Wales Parliament passed a new Act for the Australian Gaslight Company to work under. The principal provisions of this Act were:—

That profits shall not be used, except for:—

(1) Dividend as prescribed by the Act.

(2) Special purposes fund (total may be not more than one-tenth of the capital, including premiums).

(3) Reserve fund ("applicable to the payment of dividend in any year in which the clear profits are insufficient to enable the company in such year to pay the authorised rate, and for no other purpose").

(4) Divisible profits account (profit and loss balance, which "shall not exceed the amount required to pay one year's dividend at the standard rate.").

The Act also provided that within 6 months the company had to capitalise reserves, and on capital subscribed subsequent to June 30th it limits the dividend to 7 per cent.,

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while the price of gas remains at 3s. 6d. On capital subscribed prior to that date 10 per cent. may be paid. It is provided, however, that if a certified arbitration award has raised the cost of production, the extra cost may be added to the 3s. 6d., and the standard rate of dividend may still be paid.

The following figures give the principal items in the balance-sheets of the company during the past few years:—

	Profits.	Dividends	To Reserves.	Reserves.
June, 1910	£18,013	15 per cent. = 62,450	——	£378,550
		Premiums on new shares	£10	378,560
Dec., 1910	79,279	15 per cent. = 63,750	15,529	394,089
June, 1911	68,125	15 per cent. = 63,750	4,375	398,464
Dec., 1911	79,304	15 per cent. = 63,750	15,554	414,018
June, 1912	69,002	15 per cent. = 63,750	5,252	419,270
				Deficit.
	Reserves transferred to capital,		424,998	£5,728
				Reserves.
Dec., 1912	82,765	10 per cent. = 63,750	19,015	£13,287
June, 1913	58,035	10 per cent. = 63,750	——	7,572

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CHAPTER 13.

General Effect of Trusts and Monopolies in Australia.

Many trades, services, and industries throughout Australia in which there has been restraint of trade as a result of combinations have been dealt with. Figures and facts have been given to show how prices have been affected. It has been shown and indicated that large profits, often undisclosed, have been made by those companies and individuals who have established monopolies or otherwise control supplies of the necessities of life. Where it has occurred, an endeavour has been made to indicate how Trust operations have curbed enterprise, not only in the particular industry controlled directly by the Trust or Combine, but in industries producing those raw materials or using those finished articles which have been subject to restraint of trade.

The high interstate shipping freights have largely counterbalanced the advantages of free trade within the Commonwealth, and have prevented the manufacture of Eastern Australia competing in West Australia with European importations; they have also contributed to the formation of combines within a State by preventing interstate competition. The excessive price of coal has led to an increase in the cost of manufacturing and transport, and has also been a severe tax on the metal mining industry. The Tobacco Trust and Sugar monopoly are curtailing the development in the growing of tobacco leaf and sugar cane respectively. The high price of sugar has curtailed the manufacture of jam and reduced the prices that could be given for fruit. The nail, timber and brick combines in the larger cities increase the cost of the erection of factories and private dwellings.

It has also been pointed out that one effect of the development of the trust movement has been the restriction placed on the enterprise and ambition of individuals, be they employees in the monopolised business or small capitalists. This is a most serious consideration in a new undeveloped country requiring enterprise as well as capital,

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and must have a bad effect on the life of the individual associated with the industry subject to Trust control. Notwithstanding the very considerable progress in the development of, and output from, the natural resources of the country, the number of individual organisations in many trading and manufacturing industries are really decreasing, and this is a clear confirmation of the decrease or elimination of "opportunity." New enterprises in a monopolised trade cannot start.

Another serious consideration is the general laxity in control, and want of enterprise that is liable to follow the elimination of competition. With command of the market there is not the same inducement to improve methods.

This, however, cannot be said so far of industries monopolised in Australia. The combination of interstate shipping companies has led to an infinitely better class of steamer being used in the trade, and a more regular and much faster service has been given. Undoubtedly more efficient tobacco factories have been establishd as a result of Trust control, and much useless labour has been eliminated in distribution. As much can be said for the Colonial Sugar Refining Company. In these cases the product suppiled cannot very well be improved on as far as quality is concerned.

In the dried fruits industry, the combination of growers is the only thing that has made the industry possible, and as an industry it is one of the most important in Australia.

The American Beef Trust enriched America by a huge export trade in preserved meats, and is now bringing in a large income from its enterprise abroad. If the Beef Trust established itself in the Australian meat trade the efficiency of the preserving works in Australia will be largely increased; by-products will be utilised to their full advantage; the finished article will be better preserved and look better; an organised system of meat distribution in England and elsewhere will be available to Australian produce. Further, a monopoly in the world's markets will be established, and prices will then be fixed to obtain a maximum of profitable trade. In this the Beef Trust will make large profits, as a result of which the Australian pastoralist will get enhanced prices, for higher prices will have to be paid for stock in order to keep up the supply, which must be increased if the Beef Trust is to keep its business going.

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Where the elimination of competition has dispensed with competing selling organisations and concentration of manufacture, there has been a general gain, through saving of labour; additional capital is also made available for more efficient plants.

Another and a most important gain is the improved conditions of the workers which have been made possible by the high profits made by those having control of prices.

As a rough estimate it is probable that the wages are as much as 10 or 15 per cent. better, in those industries in which the employers have eliminated competition and have established control of prices. Higher profits, due to artificially high prices, are used as an excuse and justification for demands for higher wages. And there is soon established an unwritten understanding between employer and employee, that the general public shall pay up to that limit when further increase of price shall decrease trade and profit.

From a purely economic point of view, the advent of the trust and private monopoly, such as has been established in the cases of sugar and tobacco, results in better efficiency through:—

(1) Buying raw materials and supplies on a large scale, and by borrowing money in a central money market at a cheaper rate on account of the better security that can be given.

(2) Selling of products without using competitive travellers, advertising, secret commissions and rebates to non-productive middle men.

(3) Concentrating manufacturing in large factories, distributed according to the location of the markets; and using the most efficient factories continuously and at full output and the least efficient ones only during the periods of excessive demand.

(4) Reduction of office expenses, stocks, supervision, etc., by concentrating manufacturing, etc., in fewer and larger factories where greater specialisation can be practised.

(5) Making possible the dumping in foreign countries of surplus production.

In the cases of a combination in restraint of trade involving merely price fixing and restriction of output by an "association" of those engaged in the industry, without an amalgamation of interests, however necessary it may be

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from the point of view of those in the trade, none of the above advantages accrue. On the other hand most of the expenses of a competitive trade are preserved, and opportunity for employees and others are restricted. All the time the public, through raised prices, have to pay for all the inefficiency as well as the additional profit that the control of prices makes possible. By "association" inefficiency is preserved, and the formation of a monopolising all-absorbing "Trust" is prevented to the extent that no individual member of the association, who may be stronger financially, or may have greater efficiency in production, can cut prices or resort to other practices in restraint of trade, and to the detriment of other members of the association, who would be ultimately eliminated.

The essential difference between a Trust and an association as far as efficiency of production is concerned must be recognised.

Perhaps, some of the beneficial results accruing from concentrated control of an industry by a single Trust or corporation is best seen in other countries than Australia. The Standard Oil Company of America has built up a world's trade in all classes of oils; individual companies could never have collectively built up so large and valuable a trade with foreign countries. This foreign trade probably has enriched America to a far greater extent than any of the Standard Oil methods have impoverished it.

The American Tobacco Co., whilst enriching its shareholders, has enabled a vastly greater amount of tobacco leaf to be grown and exported from America than would have been the case if the industry had remained unorganised.

The United States Steel Corporation through being able to supply a cheaper and better article, on account of specialisation resulting from combination, is fast taking foreign trade away from English and European iron-rolling mills; this corporation, through reserving one mill for one class of iron and another for a different class of product, and with a staff of specialists has brought the steel industry to the highest possible state of perfection. In England, each small mill has to manufacture a dozen different articles; its staff has to endeavour to become expert in a dozen different operations, and specialisation is impossible. The office expenses and travellers' costs to the Steel Corporation are, on the output, a fraction of those of English and German manufacturers. No doubt in many cases the

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product is sold in America at more than it brings in foreign countries, but America is not necessarily the loser by it; the Steel Corporation would not export if it were. The production of the dumped commodity has given much employment, and increasing the output of the mill has brought down the cost of production.

In England, cotton thread manufacture has been monopolised, and as a consequence there is an enormously increased export trade. Almost a world's monopoly has been established; the mills erected by J. and P. Coats in other countries are making large profits for English shareholders.

In the Electrical Machinery trade, Germany, with its two large electrical works—the Allgemeine Elektricitats Gesellschaft and Messrs. Siemens Bros.—working in conjunction, have with the General Electric Company of the United States of America almost a monopoly of the world's supply of the larger electrical machinery. The numerous small competing electrical machinery works in England cannot specialise and therefore cannot compete even in the home market against the production from large factories. In electrical plants, orders are becoming larger and larger, and credit is becoming more important every day. The small English firms cannot give the necessary credit to obtain a foreign order even if their production were better and cheaper.

Just as it has been shown that the weak, small, capitalised unit in an industry cannot withstand the competition of a large wealthy organisation or Trust, so a country cannot compete in the world's market in manufactured commodities (unless it has some very special natural advantage) if its manufacturers consist of small competing inefficient units. That country having its manufacturing industries fully organised and in the hands of "Trusts" must (other things being equal) have all the advantage in competing in foreign markets. This is one of the most important phases of the Trust movement, and as far as the Australian export trade is concerned in everything except primary and raw products (which find their own markets), the great advantages of Trust control and monopoly must be taken into full consideration.

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CHAPTER 14.

Economic Questions Affecting the Trust Movement.

(*a*) *Part played by Customs Duties in establishing and maintaining Trusts and Combines.*

(*b*) *Effect on the Trust Movement of the increase in the use of Credit.*

(*c*) *Influence of Price Variation.*

(*d*) *Part played by Trades Unionism, Wages Boards, and Arbitration Courts in the Trust Movement.*

(*e*) *Assistance "Centralisation" gives to the establishment of Trusts and Combines.*

(*f*) *Facilities given by the creation of Joint Stock Companies to "combine" and "merge" allied interests.*

(*a*) *Part played by Customs Duties in establishing and maintaining Trusts and Combines.*

Customs duties necessarily play a most important part in the industrial life of a country, and incidentally influence the formation of Trusts and Combines. One of the principal arguments used against a protective tariff is that it tends to the formation of Trusts, Combines and Monopolies. The theory of protection is that if the home market is reserved to the several local organisations supplying a commodity protected by a Tariff, they will compete, and thereby maintain the home price of the commodity at a reasonable level. Immediately there is a combination in restraint of trade, this guarantee for reasonable prices vanishes, and prices are raised to the limits allowed by the duty, or the limits above which the profit from the trade will be reduced; and this is quite irrespective of whether the profit made be reasonable or unreasonable. Unless, however, there is a combination between importers and local manufacturers—an unusual condition—amendment of the tariff can regulate the selling price of the protected article.

In the case of a commodity that is subject to a world-wide monopoly, any customs duty is simply "passed on" to that limit when a higher price would have an effect on con-

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sumption. When this limit is reached higher prices would lead to lower profits, so that the demand for the commodity may be maintained. Protection on this account often forces even the owners of the world-wide monopoly to build local factories. High duties can then be avoided, and the price maintained at such levels as not to interfere with the demand for the commodity.

"Protection," directly through giving the local market to a combination of local manufacturers, and indirectly through establishing a trust having sufficient capital to enable business to be financed, and specialisation to be effected, can build up an industry, which otherwise, through outside and inside competition, would languish. "Protection" and Trust control can, and in many cases does, build up an export trade which under other circumstances would be impossible.

In previous chapters, mention has been made of the instances where the Australian Customs Tariff has contributed to the building up of a trade monopoly by a local Trust or combination of manufacturers. It is true that the increased prices are made possible by the duty, but it cannot be said that local combination has been the result of this protective duty, as duty or no duty, the same advantages would be gained by combination and agreement between those in the trade.

The perusal of the chapters dealing with Australian Trusts and combinations will show the comparatively little part played by protective Customs duties as a direct cause of development of the Trust movement in Australia. Such combinations in protected industries as exist have not been caused by "Protection," but by other considerations. "Protection" has merely enabled prices to be raised.

In regard to the Tobacco Industry, protective duties led to the establishment of factories in Australia. It played no part in establishing the present monopoly. In so far as the Australian Navigation Laws are "protection," it has assisted in forming the interstate shipping combine by protecting it from foreign steamer competition. On the other hand, in the cases of sugar refining, nail making, and the dried fruits industries, protection has played an important part. High prices are made possible, and trade is restrained by forming monopolies. Combination in the coal, brick, timber, lime, printing and other industries dealt with in this work have been unaffected by the policy of Protection as established in the Commonwealth of Australia.

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(*b*) *Effect on the Trust Movement of the increase in the use of Credit.*

Particularly in a new country like Australia, the extension of the use of Credit has facilitated the Trust Movement by:—

(1) Giving an advantage to the larger industrial concern to the detriment of the smaller in all trading transactions: the larger the organisation the higher its financial standing;

(2) Enabling the larger industrial concern to borrow capital at lower rates of interest than the smaller one.

(3) Giving opportunities for the investment at remunerative interest rates any surplus profits.

All three have had the effect of concentrating industry in the hands of the few and financially stronger individuals or companies, and of causing them to grow at the expense of the smaller organisations and financially weaker individuals.

The enormous increase in "credit" and book capital, whilst nominally available for everyone, has been much more readily available to the larger industrial organisations, as they have a greater command of capital. They also are in a better position than the weaker ones for taking every advantage of the rapid development going on in a new country. The manufacture of credit assists them proportionately to a far greater extent, and thereby materially assists the "Trust movement."

Taking a concrete example, let it be assumed the Colonial Sugar Refining Co., the British Tobacco Co. (Australia) Ltd. or any of the wealthy interstate shipping companies desired to complete or extend their monopoly. Assuming the cost of this would be £1,000,000 or any lesser sum; with the security that any of these companies could give, the money would be made available immediately by any of a dozen financial institutions, and at the lowest rates of interest.

What possibility is there, or if there was any possibility, how long would it take, small companies or poor individuals, no matter if their probity and ability be of the highest, to raise any large sum of money. The small organisation could hardly initiate the business by obtaining firm options even if the deposits could be financed; these same options would be given without difficulty or hesitation, with little or no deposit, to the large organisation.

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If all the factors tending to the formation of Trusts and monopolies could be weighed, it would probably be found that the increase in the use of "credit" has played the most important part in evolution of the modern Trust.

The following figures, quoted by Mr. Chioza Money in the "Contemporary Review," 1913, indicate the relative increases of Gold and Credit in London. The state of "credit" in London determines the availability of credit in Australia, and is therefore of importance.

Year.	World Gold Output.	United Kingdom Gold Imports.	London Bankers' Clearances.
1900	£52,000,000	£7,800,000	£8,960,000,000
1901	54,000,000	6,700,000	9,561,000,000
1902	61,000,000	6,200,000	10,029,000,000
1903	68,000,000	9,900,000	10,120,000,000
1904	72,000,000	900,000	10,594,000,000
1905	78,000,000	7,800,000	12,288,000,000
1906	84,000,000	3,400,000	12,711,000,000
1907	86,000,000	6,200,000	12,730,000,000
1908	92,000,000	3,900,000	12,120,000,000
1909	95,000,000	7,500,000	13,525,000,000
1910	96,000,000	6,400,000	14,659,000,000
1911	97,000,000	8,600,000	14,614,000,000
1912	98,000,000	6,200,000	15,962,000,000

With sound financial conditions credit is good and is manufactured at an enormous rate. It has been estimated that whilst there is only £100,000,000 coined gold in United Kingdom, the Bank deposits amount to £1,000,000,000.

In Australia Bank clearances and "credit" have increased at even a greater rate than the London figures indicate.

An interesting case illustrating the assistance credit gives to the wealthy organisations in preference to their poorer competitors can be seen in the business of the Australian Commonwealth Bank. It was founded by the Labour Government essentially to assist the small and struggling farmer, manufacturer, artisan and trader against what were considered excessive interest charges of the private banks. But in practice, the advance business of this bank has almost exclusively been restricted to loans to public bodies and private wealthy corporations whose security was absolutely certain. It was deemed (and rightly so, too) impossible from a strictly business point of view, to take the financial risks accompanying lending money to weak and poorer individuals and companies.

Hence it is that, despite every desire to the contrary on the part of its founders, the Commonwealth Bank of Australia is assisting that section of the community and those

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institutions for whom the Labour Government had no sympathy, and boasted every hostility when the bank was created, whilst those whom it was desired to assist have received, and can receive, no consideration. As a matter of fact the founding of this Bank (however essential and desirable it is from a public point of view in other directions), forced the competing private banks to restrict advances, thereby penalising those for whom the whole financial policy was designed to benefit—the small men of the community requiring money.

(*c*) *Influence of Price Variation on the Trust Movement.*

Variations in the prices of commodities assist the trust movement in two ways:—

(1) Favourable variations in prices assist the larger organisation more than the smaller one because greater advantage can be taken of such variations.

(2) Unfavourable variations weaken the smaller organisation proportionately to a greater extent, and have, in many cases, completely eliminated the weak competition through causing complete financial failures.

Pending an adjustment in wages, the general increase in the prices of commodities entails a disadvantage to the mass of the people, and an advantage to those having command of supplies and industries. Prices of commodities, particularly increased prices, vary much more quickly than the price of labour. The upward tendency of prices generally during the past 15 years has accelerated the Trust movement in Australia.

Where an industry is subject to open competition, adjustments in wages and prices are quickly made, and the owners of property and commodities gain little advantage from variations in prices. Where, however, the industry is subject of a trade restraint every advantage is given to those controlling the industry on the occasion of variations in price and price standards. A readjustment of prices in the particular industry can be postponed by and for the benefit of those controlling the industry.

(*d*) *Part played by Trades Unionism, Wages Boards, and Arbitration Courts in the Trust Movement.*

Australia is further advanced than any other country in the world in Trades Unionism, and legislation (consisting of Wages Boards and Arbitration Courts) to fix wages. In this respect Australia is almost unique, and the control

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by the Trades Unions of the Political Labour Party having a majority in the legislature has no parallel elsewhere. It is unnecessary to traverse the circumstances leading up to the strong position that "labour" has established for itself; but it is desirable to say something relative to the part played by Trades Unionism and wage-fixing legislation in the formation of Trusts and combines.

The strength of the unions, and the demands made on the employers because of this strength, force employers into forming associations to elect representatives to meet the representatives of the Union. No single employer could act alone. This establishment of a common interest no doubt in many cases initiated the formation of a "combination."

If the members of the Unions employed by a number of employers in the same trade acted together, it was of necessity essential that the various employers do likewise. Rates of wages being made uniform throughout a trade or industry, on one item of the cost of manufacture—labour—competition could make little or no reduction; a cut price could not be "passed on" to the employees by the payment of a reduced wage. Two important steps towards combination and monopoly were therefore taken, viz.:—

(1) The establishment of a common interest amongst employers and owners of different industries, and the consequent forced necessity for them to act together in meeting demands of their combined employees.

(2) The elimination of competition between employers as far as reducing the rates of wages paid for labour is concerned.

The establishment of Wages Boards and Arbitration Courts virtually forced the "combination" of employers by actual legislation; they had to sit on the Wages Boards as one body; they were cited in the Courts as one; the same decisions bound all, and all had to share in the costs of the litigation. It became an offence against the law to pay below the minimum wage fixed; in other words, it became an offence to compete in getting reductions in the cost of labour; and labour is the principal items in the cost of production.

Just, therefore, as it has become necessary for Australian employers generally to pay a uniform wage, so it has become almost necessary and really obligatory for them to fix a uniform selling rate for their production. If it is possible for the combined or associated owners of indus-

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tries to fix a uniform selling rate, it is just as easy, and far more profitable, to fix this rate at the highest the trade will stand.

Another phase of this question, and one touched on in several of the previous chapters, is the fact that the Unions of the employees, knowing that their employers can "pass on" an increase in wages (and on that account would not be indisposed to grant such increase). will continuously demand and get an unreasonably high wage. The general consumer will therefore have to pay higher prices, not only on account of combination of the owners of an industry taking unreasonable profits, but also on account of the employees combination into trades unions enabling them to demand higher pay.

It is therefore seen that the Trades Unions, political bodies most bitterly opposed to trusts, combinations and monopolies, have not only played an important part in their formation, but are using these combinations in restraint of trade to obtain an unreasonable wage, which the general consumer has to pay.

(*e*) *Assistance "Centralisation" gives to the establishment of "Trusts" and "Combines."*

The centralisation of the capital and the industrial control of a State in the one city, necessarily leads to those commanding this capital, and controlling many industries, being constantly brought personally into contact with one another in business and social life. This community of interest will usually prevent a competition that impoverishes all concerned, and will lead to an "association" or "combination," if it does not lead to a "merging" of interests by the formation of a company.

Owing to the centralisation of population, government, capital, and industry of Australia in a few large cities, remote from one another, the formation of combinations has been greatly facilitated as far as industries within a State are concerned. The easy communication between the capitals of the States after the advent of Federation, materially assisted centralisation of industrial control over the whole Commonwealth.

(*f*) *Facilities given by the creation of Joint Stock Companies to "combine" and "merge" allied interests.*

There can be little doubt that the evolution of business in the direction of the concentration of capital (belonging to a large number of people) by the formation of Joint

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Stock Companies, has played a most important part in the development of the "Trust movement." It is a very noticeable fact that, in those countries whose laws and conditions give every facility for the formation of companies and the aggregation and concentration of capital, the "Trust movement" has developed to a far greater degree.

The reasons that can be assigned for this are as follows:—

(1) Ample capital has been made available to purchase competitors' business or to purchase a controlling interest in it.

(2) Sufficient capital was always available to take every advantage in variations of trade, and to provide money to secure a better efficiency or control of new supplies of raw material; any new invention or discovery is always offered first to the strongest financial institution.

(3) The division of the capital of a company into a large number of shares, such as the American Stock Companies have, facilitates:

(a) Creation of capital for the payment of "good will" in shares instead of in cash.

(b) Sale and purchase of fractional parts of an interest in a business, thereby giving facilities for the disposal of part interest of the original owner and the purchase of small interests by large numbers of people.

(c) The aggregation of small sums of moneys and the concentration of its control.

A corporation could buy an interest in a competing company, and soon increase that interest to a controlling interest, and just issue shares to the vendor, or to the public, to provide cash necessary to effect the purchase. At a favourable opportunity for watering stock, or when more capital is required (from the outside public), an amalgamation of all these separate concerns is effected, and original owners get the benefit of watered stock, and at the same time obtain a negotiable asset in the shape of a marketable share. In this case interests are "merged."

The capital then at the disposal of those directing such an organisation is enormously increased, and can be made available for purchasing new interests in competing organisations, which can then be brought into line, and so on, until all competing interests are controlled.

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CHAPTER 15.

The Trust Movement in Other Countries.

(*a*) *Trusts in America.*
(*b*) *Cartels and Sales Syndicates in Germany.*
(*c*) *Trusts and Selling Agreements in England.*
(*d*) *International Trade Agreements.*

No work on the Trust movement in Australia would attempt to completeness without some reference to the movement in other countries, as trusts in America, Germany and England have extended their operations to Australia. Furthermore, much can be learnt from the nature of the movement in countries in some respects further advanced than Australia is.

(A) TRUSTS IN AMERICA.

America, being a new and democratic country, has much in common with Australia; it is therefore well to observe the form which the Trust movement has assumed there, for much can be learned by Australia, as the development of this country will follow the United States in the general lines of economic progress. Undoubtedly the development of Joint Stock Companies has been a most potent influence in the consummation of most of the American trusts and combines. Nowhere else has this form of financing been so extensively used in trade and industry, for the amalgamation and "merging" of allied interests by the formation of large corporations and "holding" companies.

Other considerations that have tended towards the development of the "Trust movement" in the United States may be mentioned, viz:—

(1) The rapid progress, and the need for large amounts of capital, to develop the natural resources of this, a new country.

(2) The highly protective Customs Tariff.

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(3) The strength and independence of "Labor" in America, requiring amalgamation of employers, to prevent competition in securing labor, and to meet demands of Trades Unions by concerted actions and replies.

(4) The private ownership of railways, and their potent influence in developing monopoly. It has only recently been the case that any attempt has been made to prevent rebates in freights, and other differentiations which have always been in favor of the larger organisations.

Some Principal Trusts in America.

Consideration of some of the principal Trusts and Combines in the United States gives valuable illustrations of the facilities given by modern stock company finance to the Trust movement. Some of the principal combinations operating over the whole of the United States are—

The Beef Trust,
The Tobacco Trust,
The United States Steel Corporation,
The Standard Oil Trust,
The American Sugar Refining Company,
The Lumber Trust.

These business organisations are almost invariably of the nature of a "holding company," with a number of subsidiary companies. The popularity of Joint Stock companies gave the greatest facility in forming these organisations, by providing ample capital, to buy up all interests, either with shares or cash.

It is also a common practice in America to divide up an industry so that one or more parts is controlled by a separate company, in which, of course, the "holding company" will have a controlling interest. Hence there is at once a process of involution and devolution going on. Naturally, and quite apart from anti-trust legislation, companies are being absorbed by a Trust on the one hand, and are being created into separate entities on the other hand.

The popularity of Joint Stock companies, which can legitimately "merge" all competing interests, and the existence of Anti-Trust laws, which prevent Combinations and Associations in restraint of competitive trade, have led to the development of the Trust movement in the direction of large holding and merging corporations, rather than to the formation of

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"Associations," and other kinds of combination, in restraint of trade, in which the individual units are bound by agreement.

Cartels and Sales Syndicates in Germany.

The Trust movement in Germany has been of an entirely different nature to what it has been in the United States. In Germany very few, if any, companies have "merged" all interests in an industry, into a single organisation, which could thereby obtain a monopoly, and control of prices. Neither has the "holding" company been much availed of. But the evolution of industrialism has been more in the direction of establishing agreements for the control of prices and trade, whilst the independence of the individual unit in the industry is preserved.

To allow of this being done, various systems have been adopted in different industries, and of these systems the following are the most common:—

(1) *The Selling Agreement.*

With a selling agreement between the units engaged in an industry, a minimum selling price is fixed, and that is all. Every elasticity is allowed for price movement above that minimum, and there is no regulation of output, division of trade, or standardisation of quality provided for. Generally industries manufacturing finished articles adopt this class of trade organisation.

(2) *The Sales Syndicate.*

Where a sales syndicate is established, the various members of the syndicate pool their products, and a committee, elected by the members, takes complete control of the disposal of the production. The committee fixes the selling price, distributes the business to be done, sells the whole of the production, and decides how the profits are to be divided. The coal and steel trades in Germany are organised on this basis, and the Sales Syndicate system is mostly used in industries producing half-finished articles.

The most important of the Sales Syndicates is that controlling the steel trade of Germany. It consists of all the principal steel manufacturers in Germany. Originally formed without Krupps, an agreement was soon come to between the Sales Syndicate and this firm, which was given the share of the business that was demanded. Price cutting, and financial pressure, indirectly applied, forced all other steel manufacturers into the Syndicate, at its own terms.

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(3) *The Organised Cartel.*

It is a short step from the Sales Syndicate to the Organised Cartel, which provides for distributing the business amongst its members. Trade would be parcelled out according to the facilities the different members of the Syndicate have for specialised production. Specialisation is thereby encouraged, until a specialised department of the trade becomes centered in one factory, whose owners are thus virtually given a monopoly.

It might, at this stage, be advisable to give a few examples of the results derived from the working of the German Sales Syndicates and Cartels, particularly in regard to the maintenance of high prices for home sales, and the lowering of export rates.

The Rhenish Westphalian Coal Cartel arranges that the price of coal per metric ton at home is 10.45 marks, whilst for export it is quoted at 9.84 marks. In the case of coke, a still more noticeable instance of price-fixing is seen, as coke for home consumption is sold at 17 marks per ton, and only 8 marks per ton is asked if it is for export.

The Wire Cartel, formed in 1900, has established as many as three prices for its production—viz., to German consumers, to German firms if they intend to export, and to foreigners.

The Nail Syndicate arranges two prices—viz., 250 marks per ton for delivery in Germany, and only 140 marks for export; whilst rails can be bought in the home market for 118 marks, and the same are sold in Portugal, for example, at 85 marks per ton.

These variations in prices would be only possible where the home market is protected by a high tariff.

The Trust Movement in Austria.

C. Van Hise, in his "Concentration and Control," says, in regard to the Trust Movement in Austria:—

> "In Austria, where several combinations exist, the conditions of trade are somewhat similar to those in Germany, and prices are fixed and markets allotted by committees of the principal manufacturers of the commodity. Legal decisions have been given against such price fixing, but in real effect injunctions have been useless. A Government Commission has recommended that combinations and private monopolies be recognised by law, and that their operations and prices be supervised by Government authority."

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(c) Trusts and Selling Agreements in England.

Macrosty, in his "The Trust Movement in British Industry," considers that the general freedom of trade in Great Britain has allowed and encouraged an extensive system of combination and co-operation in almost every branch of British industry. He thinks that the lack of any restrictions and prohibitions in trade allows these co-operative agreements, and does not force manufacturers and other into forming "holding" or "merging" companies, as in America.

In connection with the iron and steel industry, he says:

> "Summing up the situation in the iron and steel industry, the conclusion forced on us seems to be that the tendency is towards the evolution of a comparatively few large units in each branch, and then that these units should combine into a loose organisation for the regulation of their trade."

The Imperial Tobacco Company, with a capital of £17,500,000, the United Alkali Company, with a capital of £8,200,000, and the Nobel Dynamite Trust Company, with a capital of £3,000,000, are examples of single organisations having established complete control of industries, by the formation of a "merging" company.

The best-known "trust" in England is, perhaps, that of J. and P. Coats, who have established a cotton-thread monopoly, not only in England, but throughout the world. J. Coats started manufacturing cotton at Paisley, in 1826, and his business grew, as a private concern, till 1890, when it was floated into a company, known as J. and P. Coats Ltd., and some £5,800,000 in shares were given to various members of the Coats family. In 1895-6 the Company bought out the chief rival manufacturers, which had formed themselves into the Central Thread Agency, and included Jonas Brook and Co., J. Chadwick and Co., Clarke and Co., and Kerr and Co. This entailed raising the capital of J. and P. Coats to £12,000,000.

To indicate the nature of the profits that were made, the following reported figures for the year 1912-13 are interesting:—

> "The net earnings of J. and P. Coats Ltd. increased by £109,167 to £2,903,239 during the year ended 30th June. The return on the ordinary capital is 35 per cent. for the fifth year in succession, while £500,000 is again transferred to reserves, raising same to £5,500,000, leaving a balance of £607,906 to be carried forward. In addition, there are other reserves of various sorts to the total of £3,500,000." G.

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A form of combination that has become common in England is what is known as the "Pool or Selling Agreement." This is a loose agreement between manufacturers, and provides for united action in fixing a price, and the amount of output. Further agreement is also often come to, to avoid any invading of each other's market. It is admitted generally that such an arrangement must be beneficial to all concerned in the trade, and, in most cases, the public cannot be prejudiced, as any great increase in prices is prevented by foreign competition, there being Free Trade in most manufactures. A lower price will be possible in the home market, as the organisation of the trade will allow of a more organised production, and a larger export trade.

These summaries of the positions of the Trust movement in America, Germany and Great Britain do not, in any way, complete the list; they merely indicate the condition of the movement in a new country and in two old ones; in each of the latter a radically different fiscal policy has been adopted.

(D) International Trade Agreements.

There are a few corporations, such as the Standard Oil Company, the American Tobacco Company, J. and P. Coats Ltd., and the International Harvester Trust that have virtually established world-wide monopolies in the supply of the several commodities which they control.

Apart from this form of international control of prices and supplies, however, several "agreements" have been arranged between manufacturers and others, in different countries.

For many years the price of steel rails and similar commodities was fixed by a convention of English, German and Belgian manufacturers. The respective quantities of iron each country was to export was also decided. There is an international agreement in regard to the freight rates and fares to be charged by the principal English, German, French and American steamship lines. Trade is also apportioned between the various shipping companies.

The price and output of beet sugar from the various European countries were, for a number of years, also fixed by an international agreement. Another, and a most noticeable instance of an international agreement fixing a high price, is that of the Zinc Convention, which maintains zinc at an abnormally high price.

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CHAPTER 16.

Nationalised Monopolies and State Industrial Enterprises.

(*a*) *Nationalised Monopolies in Europe and Japan.*
(*b*) *Nationalised Services in Australia.*

The motives actuating the nationalisation of monopolies have up to the present time been twofold.

(1) To provide a means of raising revenue.
(2) To provide a better and cheaper service than could be provided by private ownership.

So far, with the exception of, possibly, some minor instances, there has been no case of a Government nationalising an industry because of excessive charges on the part of the private owners. In the older countries of the world, with the exception of railways, postal and telegraph systems, municipal tramways, lighting and water supply works, any services that have been nationalised have been taken over by the Government for purposes of providing revenue. In France the supply of tobacco, of matches, and of salt have been nationalised. The tobacco industry has also been nationalised in Spain, Japan, Austria, Roumania, Hungary and Nicaragua. Life insurance has been made a State monopoly in Italy. Roumania has also established Government monopolies of salt, matches, playing cards, gunpowder, and cigarette-paper; whilst Greece derives large revenues from the State monopolies of tobacco, salt and petroleum. One of the principal sources of revenue of the Russian Government is the liquor monopoly. The following are the revenues derived in 1912 from the principal nationalised monopolies of this nature:—

	France.	Italy.	Austria.	Russia.
	£	£	£	£
Tobacco ..	20,200,000	12,360.000	13,000.000	
Matches ..	2,500,000			
Salt		3,340,000		
Sales of Spirits				78,000,000

The Governments of Japan and Spain obtained £6,213,000 and £7,500,000 respectively from State monopolies of Tobacco and Matches.

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French Tobacco Monopoly.

The following information, extracted chiefly from the report of the Royal Commission on the Australian Tobacco Industry, will give some information about the manner in which the State manages the Tobacco Industry in France:—

"France has had a State monopoly in tobacco since the 17th century. In France the cultivation of the tobacco leaf is restricted. Each year a board determines the quantity of leaf to be produced, and the quantity to be produced is to be about four-fifths of the requirements. Permission is granted to persons to cultivate the leaf, and a grower may obtain special permission to grow for export. All leaf produced must be delivered up, and any refuse must be destroyed. A Board determines the prices to be paid for the cured leaf, and the decisions are made known by public advertisement. France thus produces the greater portion of the tobacco leaf, which is manufactured in that country. France had, in 1901, 44,556 acres of land under tobacco cultivation. The quantity produced was 55,914,169 lbs. This is a yield of a little more than 11 cwt. to the acre. Of course, the quantity produced varies according to the season. France imports the balance of tobacco leaf, by means of agents."

Much of the criticism of State industrial undertakings has arisen from the alleged fact that the French tobacco is not good. To what extent this is true it is impossible to say; but there can be little doubt but that which is good to French taste (and that is the important point) would probably be unpalatable to foreigners.

Italian Tobacco Monopoly.

During 1912 this monopoly produced over £12,000,000, and of this amount, over two-thirds was profit. The average price per pound, as sold to retailers, was 3s. 9d., whilst the cost of labour and materials was 10.8d.

Austrian Tobacco Monopoly.

The following has been extracted from the previously-mentioned report:—

"The gross proceeds from the sale of tobacco by the Government were, in 1901, £9,360,000. The quantity of tobacco sold was 80,693,824 lbs. The average price for which the tobacco was sold by the Government was 2s. 3.8d. per lb. The net profit for the year was £6,107,000. The population was 25,921,671. The net revenue per head of population was 4s. 8.5d.; the net revenue per lb. was 1s. 6.1d. The cost of labour and materials was 9.7d.; and the profit 1s. 6.1d., equal to 2s. 3.8d. Nobody is allowed to grow tobacco in Austria-Hungary, except by special licence and under strict supervision by the State. Every single plant must be officially registered. Growers, both in Austria and Hungary, are not

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allowed to sell their produce within the monarchy to anyone except the Government, but they have the alternative of exporting their product. This insures a fair price being offered by the Government. In Austria and Hungary there are under cultivation about 143,300 acres, and the production of cured tobacco leaf is about 70,000 tons per annum. The Austrian Government exports about 8500 tons per annum. The Government fixes the purchase price of tobacco leaf according to the world's market price. On the average, from 1½d. to 2d. per lb. is paid to growers. The Austrian Government imported about 26,500 tons in 1901, mostly used for the manufacture of cigars and cigarettes. In Austria and Hungary there are about 50,000 small growers, and very few of them employ labour outside their families. Tobacco, cigars and cigarettes are made by persons solely employed by the Government and under its control. The Government had a monopoly of the manufacture of tobacco, cigars and cigarettes since 1784 in Austria, and since 1851 in Hungary. Before 1784 the consumption of tobacco was very limited, the whole excise duty collected in Austria and Hungary being only about £1200 a year. The expenses in connection with the manufacture of tobacco, cigars and cigarettes by the State authorities (one year for comparison) in Austria only amounted to about £3,253,000 in 1901. Tobacco, cigars and cigarettes are sold at the following prices:—Tobacco, ½d. to 2d. per oz.; cigars (locally manufactured), ½d. to 3½d. per piece; cigarettes (locally manufactured), ½d. to 6d. per 10 pieces. In 1900 the Government manufactured—cigars, 14,136,375 lbs.; cigarettes, 7,964,797 lbs.; tobacco, 55,595,072 lbs., representing a total of 80,693,824 lbs., from which they derived a profit of £6,107,000, or 1/6⅛d. per lb. The Government sells direct to retailers for cash only, at the same time compelling the retailers to sell to the public at prices fixed by the Government. The Government licenses the retailers, but no fee is charged. It is the custom to allow to retailers a percentage on a rising scale, beginning with, say, 1 per cent. on the cheapest up to, say, 20 per cent. on the higher priced manufacture."

Japanese Tobacco Monopoly.

A Government report, published in Tokio recently, contained the following information in regard to the acquirement of the Tobacco Monopoly:—

"Japan at first adopted the taxation system and imposed a tax on tobacco; but it was wholly abolished in January, 1898, owing to the execution of law relating to the monopoly of leaf tobacco promulgated in March, 1896. According to the provisions of this law, all the harvest of leaf tobacco reaped by the growers is to be bought up by the Government, and the tobacco thus purchased was sold to the private tobacco manufacturers by the Government at the fixed rate of profit. A law to establish the monopoly of tobacco manufacture was enacted in March, 1904. According to this law, though the Government has the exclusive right of tobacco manufacture, the cultivation of leaf tobacco is left in the hands of private tobacco growers as heretofore. The manufacture of tobacco, with the leaf tobacco collected from the growers,

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is undertaken by the Government at public manufactories established in various districts of the country, and the manufactured tobacco sold to retailers through the hands of wholesalers, and then to general consumers by the former. Both the wholesalers and the retailers are to be appointed by the Government. The buildings and sites belonging to a tobacco manufactory, and the tools, implements, or machines used for the manufacture of tobacco, which are fixed to the manufactory, are to be expropriated by the Government at its option. In the above cases, a remuneration is given to the owners of them."

Other particulars of the industry are as follows:—

"There are 364 tobacco factories in Japan, employing 5130 males and 11,629 females, or a total of 16,759. The profits derived from the leaf tobacco monopoly were estimated in 1903-4 at 12,606,012 yen. (£1,286,864), and in 1904-5 at 12,606,012 yen. (£1,286,864). The Government reserves to itself the power to limit the area of cultivation. Notice to grow must be given to the Government and its permission must be obtained. Delivery of all leaf must be made into the Government Stores by the end of March in every year. A person can keep back portion for export. The price varies from .7d. to 7.3d. per lb. Though a monopoly has been established, the importation of leaf and manufactured tobacco has not been prohibited. The duty on the leaf is 35 per cent., and on the manufactured tobacco 150 per cent. For the financial year ended 31st March, 1903, the estimated profit on the tobacco monopoly was £1,286,863. The population in 1900 was 44,805,937."

Before Japan nationalised her tobacco industry, in 1904, considerable official inquiry was made, in the usual thorough Japanese way, into the conduct of the industries in those countries where it had been nationalised. So successful, and so sound, has the nationalised scheme turned out, that Japan raised £60,000,000 of war loans on the security of the tobacco monopoly. The match industry in Japan has also been nationalised and some 20,000 hands are employed, whilst the exports alone total £1,000,000.

(B) Nationalised Services in Australia.

In Australia whilst all railways, telephone, telegraph and postal services are State-owned and controlled, none of the ordinary commodities, that are the subject of State monopoly in Europe, have been nationalised.

There are, however, many examples of the establishment of Government factories, to provide manufactured materials for other departments.

State Undertakings in Western Australia.

The West Australian Labour Government has introduced a number of interesting State industrial undertakings, of an entirely different nature to those above enumerated. To

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cheapen the cost of agricultural machinery, and at the same time establish the industry in West Australia, the Government, in 1912, commenced the manufacture of agricultural machinery. The result has been satisfactory, from the point of view of establishing the industry, and giving employment to a number of men, and it has also tended, it is said, to reduce the cost of agricultural machinery, though no figures are available on this point. The financial result is, however, unsatisfactory, as far as the initial operations go, the expenditure for July, 1913, to January, 1914, being £31,271, whilst the revenue was £15,800. The factory, however, cannot yet be said to be in full working order.

In order to reduce the price of meat, this State also established several butchers' shops, which it supplies with meat brought from the North-West ports by the State steamer services. So far, it is said, there have been no material reductions in the prices for meat in West Australia.

The State steamer services to outlying small ports earned £26,878 in seven months, ending January, 1914; during the same period there was an expenditure of £46,955. Previously, however, a subsidy was given to a private company, which provided an inferior service.

The State has also established sawmills in timber districts, and entered into a contract with the Commonwealth Government to supply sleepers. The State Hotels in West Australia earn a profit of some £2000 a year.

Australian State Railways.

Of the 13,000 miles of railways in Australia, there are only some 700 miles that are privately owned, and the balance are owned and worked by one or other of the State Governments. The fact that they are State owned prevents, for all time, the paying of special rebates to favoured industrial organisations, which otherwise might, by the advantage thus gained, develop into a trust, owning a monopoly. Largely built for purposes of developing the country, the State railways in Australia are now a revenue-producing asset, which could be valued at a considerably higher amount than that expended on their construction.

Considering the manifold departments that are involved in running a railway system (some of the Governments build all railways by day labour, and construct all rolling stock), the success of the State railway management is sufficient to

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show that, notwithstanding a democratic Government, industrial monopolies can be efficiently managed by the State.

It is unnecessary to mention the various monopolies that have been established by municipal government to provide lighting, tramway, water supply and sewerage services, as they have come to be regarded as essentially State or municipal functions.

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CHAPTER 17.

Solution of the Trust Problem.

By (1) Creating and Maintaining Competition;
or (2) The Recognition and Regulation of Monopoly.

Whilst many policies have been suggested as the solution of the Trust Problem, and several experiments in controlling Trusts, Combines, and Monopolies, in the interests of the public, have been tried, all policies and experiments are based on one or other of two broad principles, viz.:—

(1) Regulation of prices and profits, by maintaining, or reverting to competition in all departments of production, distribution and exchange, in which there is, or in which there is a tendency to, restraint of trade.

(2) Recognition of monopoly, and concentration of control of industry, as being inevitable and desirable, and to control such monopoly in the interests of the community.

State or Municipal competition, lowering or abolition of customs, import duties, and anti-trust legislation, have as their basis the conduct of trade on competitive principles. On the other hand, nationalisation or municipalisation of monopolies, and the fixing of prices and conditions of trade by State or municipal regulation, essentially involve the abandonment of competition, and the substitution of concentrated and monopolistic control.

It is on one or other of these two essentially opposed and different principles that the solution of the Trust Problem must be founded. In the United States of America, the only country where this question has been extensively studied and experimented on, considerable controversy exists on even this matter of first principles.

Mr. Joseph E. Davis, Commissioner of Corporations to the Federal Government of the United States, in an address dealing with this particular phase of the Trust Problem, said:—

"In the last analysis society is concerned with the question of which of the two types of industrial system is the more advantageous to the general welfare. The question resolves

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maintaining competitive conditions. We can both create and maintain competitive conditions, and, until human nature is revolutionised, when competitive conditions exist, there will be actual competition; but if for some extraordinary reason that should fail there will be, at least, a potential competition tending to prevent undue prices and unfair practices."

From this it appears that, in the judgment of this Committee, it should be the aim of legislation to assist in maintaining competition, and that to control prices affected by artificial restraint of trade, or to nationalise monopolies, is undesirable, as long as human nature is what it is.

Mr. C. Van Hise, of the Wisconsin University, dealing with the same problem, and with similar data, says, in his "Concentration and Control":—

"We may return to a state of subdivision of industry, in which the economies of concentration are not available, and depend upon competition to control prices. . . . . That we return to such a condition, contrary to the world-wide tendency, is extremely improbable—almost unthinkable."

This short summary of the position, and these two contradictory opinions on the fundamental basis on which solution of the Trust Problem in the United States should be founded, will be sufficient to indicate the difficulties in arriving at any definite conclusions.

Taking the view that the development of society generally, and trade and industry particularly, have evolved as a result of competitive effort, it is unreasonable to assume that at this particular date in the world's history—a purely arbitrary date, after all—human nature should change, and that Government, having an entirely different basic principle, should be substituted.

There is, however, another view to take of the evolution of society. In many phases of life the competition between individuals has ceased; it has been transferred to a rivalry between groups of individuals, which attain their limits in nationhood. The attainment of the maximum efficiency, as a state or a nation, has involved co-operation and centralisation, in many phases of the lives of those constituting that state or nation. In matters of offence and defence, for example, co-operation and centralisation have completely superceded competition and individual action. Has not industrialism become just as much a factor in defence and offence as the army and the navy? Is it not possible, therefore, to argue that the abandonment of competition, at any rate in

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certain phases of industry, is in keeping with the fundamental requirements for advancement by natural selection?

These two views are basic in considerng the problem of the substitution of competition in industry by regulation, centralisation and co-operation. But to deal adequately with them would involve entering into the realms of philosophy (or political party controversy), and would be quite beyond the intentions of this treatise.

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CHAPTER 18.

Controlling Trusts and Combines by Creating and Maintaining Competition.

(*a*) *Regulating Prices by State, Municipal, or Co-operative Competition.*

(*b*) *Reduction of Import Duties on Monopolised or Trust Controlled Commodities.*

(*c*) *Anti-Trust Legislation.*

(A) REGULATING PRICES BY STATE, MUNICIPAL, OR CO-OPERATIVE COMPETITION.

In transport services, competition by State-owned railways and Departments of the Post Office is of frequent occurrence all over the world, and has had the effect of keeping freight rates down to a reasonable level. Apart, however, from the State of West Australia entering the retail butchering trade, no attempt has been made by a Government to control prices by State competition in the ordinary commodities of trade.

There are numerous instances of Governments, all over the world, and particularly in Australia, establishing manufactories in connection with one or other of their main departments, to supply all Government wants in certain articles; to this extent there is State competition.

The Commonwealth Government supplies all its needs from its own woollen mills, clothing factories, and saddleries. The Government of the State of New South Wales has established pipe factories, lime and stone quarries, brickworks, and bakeries, for the suply of the State requirements, and, if there be a surplus, to supply the public as well. The latter is, however, merely incidental. This Government also erected a number of workmen's houses, but with the intention of supplying an urgent need rather than to attempt to bring down house rents. Victoria and New Zealand have established coal mines, essentially for State requirements, and in the former case, selling of large coal to the public is provided against. The Queensland Government has erected cane-crushing mills in conjunction with growers, and this has

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undoubtedly assisted the sugar growers of this State. The West Australian Government has entered the butchering trade, and has also erected agricultural implement works, saw-mills, and instituted steamer services. Competition by municipal authorities, to lower prices charged by a private monopoly have been confined to schemes for tramways, lighting, water supplies, etc. Numerous examples are to be found where an excessive price for gas has been the reason for the establishment of municipal electric light works, and competition thus initiated has reduced prices.

Co-operative effort in regulating prices by establishing co-operative organisations have been almost exclusively restricted to the retail trade and to small factories; in this it has been successful, but no attempt has been made to compete against any large industrial trust by voluntary co-operative effort.

Having indicated the extent to which State, municipal or co-operative effort has been used to regulate prices by establishing competing organisations, it is well to consider its limitations, and what objections can be raised to it, and wherein it is likely to fail, and be a detriment rather than a benefit to the people.

The following may be enumerated as objections to State competition:—

(1) It is an endeavour to prevent the workings of the law of evolution, making for economy by elimination of wasteful competition. The duplication of plant and supervision, merely increases the cost of production, and the gain to the community by reduction in prices can only be transitory—the people will be worse off in the long run, through wasted effort.

(2) Most of the monopolies and trusts have grown up without offending any law made by the people. The owners were only following the ordinary business practices countenanced by unrestricted private enterprise. It would be most difficult for the State to run a competing business so that it could be efficient, self-supporting, and, at the same time, fair to those citizens of the State who happen to have built up or invested money in the particular industry which is made subject of State competition. As a matter of fact, it has been the desire of the people to obtain cheapness that has resulted in a cutting competition, ending in a monopoly by a few.

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(3) With the relative inefficiency of Government control of workmen, the working costs would be higher than those of the private employer. Unless the industry is a very profitable and rapidly expanding one, it would be impossible for the State to successfully compete without drawing on the general revenue to make up the deficits; this revenue would be partly contributed by the citizens owning the trust whose profits it is sought to destroy.

(4) The fear of State competition would stifle enterprise and create a condition of things that would lead to such financial unreliability that credit is likely to suffer, particularly if the capital invested (or part of it) in the monopoly or combine were foreign. With a new country like Australia, requiring foreign capital for its development, to maintain its credit and to encourage private investment, are of the first essentials in Government.

(B) REDUCTION OF IMPORT DUTIES ON MONOPOLISED OR TRUST CONTROLLED COMMODITIES.

Where a Trust or Combine has been formed as an indirect result of a Protective tariff, and on which it is dependent to maintain the prices of its commodities, the reduction of the Customs duties (leaving the industry open to outside competition), will be effective in maintaining prices at a reasonable level. A protective tariff facilitates the establishment of a trading combine, and once the monopoly has been established and the various selling organisations have become tied to the Trust controlling the monopoly, amendment of the Tariff will not, in some cases, have immediate effect on prices; in the end, however, local prices must adjust themselves to the world's prices.

Considering the Trusts or Combines dealt with in this work, it will be obvious that the alteration of the Protective duties in Australia would have no effect on the Interstate Shipping Combine, the Tobacco Trust, or the combinations established in timber, bricks, or flour, etc. In the cases of sugar, dried fruits and nails, Customs tariff amendment would be entirely efficacious in reducing prices.

At the last Presidential election in the United States, regulating prices by the lowering of the Customs Tariff on articles in which there was no local competition, was

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advocated by the successful Democratic Party as the means, or at any rate one of the means, whereby the cost of living would be lowered. Reduced duties would subject the artificial prices in monopolised industries to foreign competition. .

In Canada a very complete system of legislative machinery has been established to control the prices of commodities, protected by the Customs Tariff, and which may have become monopolised or in which there is restraint of trade.

The Combines Investigation Act 1910 has provided for the appointment of a number of Boards to investigate "Combines, Monopolies, Trusts and Mergers." Under the Act it is possible for six or more adult citizens resident in Canada who are of opinion that a "combine" is in existence, and that prices have been increased unreasonably, or that competition has been restricted to the detriment of consumers or producers as a result of such combine, to make an application to a Judge for an order directing an investigation. If, after inquiry, the Judge consider there be a *prima facie* case, then he shall direct that an investigation be made. The Board appointed to carry out this investigation shall consist of three members, one appointed on the recommendation of the applicant citizens, and one on the recommendation of the persons named in the order as being interested in the alleged combine. The third, who shall be chairman, shall be appointed on the recommendation of the two members previously selected.

The Board shall be able to summon witnesses, and after inquiry it can make any recommendations it sees fit. If, as a result of the investigation, it appears that a combine exists, and that it is detrimental to the public, the Governor-in-Council can order the admission, free of duty, or, at a reduced duty, of any article in order to give the public the benefit of reasonable competition.

Advocates for "Free Trade" consider that the generally lower prices of commodities in Great Britain, and the absence of high prices resulting from combinations, are due to the absence of protective duties. No doubt the fact that higher prices cannot be obtained, even if a monopoly of the home market be established, means less inducement to form a "Trust" or "Combine" in Great Britain for the deliberate purpose of raising prices unduly.

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(c) Anti-Trust Legislation.

In considering the application of Anti-Trust Legislation to prevent restraint of trade, it appears that an Act must be framed which shall have a general applicaion to all kinds of combinations in restraint of trade. The problem waiting for solution is very different in the three forms of combination, viz., (1) A single corporation having a complete or almost a complete monopoly, as in sugar refining; (2) a small number of companies working under some agreement, written or otherwise, as in the interstate shipping trade, or (3) an association of a large number of individuals, as is found in retail milk distribution, for example.

Where there is a written constitution providing for federal and state powers, there is additional difficulty and complication.

In the appendix to this work the various Anti-Trust Acts in force in the English speaking communities are given. All that it is necessary here to do is to point out some results of the working of these Acts and opinions that have been expressed in their regard. In the United States of America many serious attempts have been made to re-establish competitive trade by Anti-Trust legislation, but these attempts have all been in the direction of dissolving holding and merging corporations.

The Commissioner of Corporations in the United States, Mr. J. E. Davis, in summing up the position of the Trust Problem in 1913, said:—

"There are wide variances of belief as to the treatment of this problem. Some maintain that the Sherman law, in its present condition, with a few amendments, is sufficient. Others there are who maintain that the Sherman law, even though amended, is negative in its effect, and not constructive in attacking the problem; that what is needed is not only a declaration of what cannot be done, but a definition of what can legally be done. Some offer in solution an Inter-State trade commission, to proceed upon the theory that monopoly should be frankly recognised and regulated, even to the extent of regulation and control of prices. Others advocate a similar commission, whose object and purpose, however, shall not be to regulate monopoly, but to regulate and control Inter-State business in supplementing the Sherman law by aiding the Courts in the restoration of competitive conditions, and in giving force to the decrees of the Court; charged with the additional power of defining what shall constitute fair and unfair competition, what shall constitute reasonable restraints of trade, and what agreements, now apparently in violation of the Sherman law are not, in fact, in restraint of trade, and should be permitted, together with other similar powers. Still another plan has been suggested which looks to keeping the

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control of this question more within the province of the individual States, by making it illegal for any corporation to do an inter-State business unless the requirements of its charter, granted by the States respectively, should contain certain inhibitions upon the activity of such corporation, looking to the prevention of the issue of watered stock, to the prevention of interlocking ownership and common directorates, and other similar conditions which are alleged to be the operating causes for the evils of the present condition."

After nearly 25 years of Anti-Trust enactments in the United States most economists have come to the conclusion that anti-trust laws are, and will be, ineffective. As an example of this opinion, an extract from the work of Professor R. T. Ely (Monopolies and Trusts 1906) might be given. It is as follows:—

"If there is any serious student of our economic life who believes that anything substantial has been gained by all the laws passed against trusts, by all the newspaper editorials which have thus far been penned, by all the sermons which have been preached against them, this authority has yet to be heard from. . . . . The writer does not hesitate to affirm it as his opinion that efforts along the lines which have been followed in the past will be equally fruitless in the future."

On the other hand, President Wilson is still pursuing the campaign against the trusts by Anti-Trust legislation, and a Committee of the United States Congress in 1911 reported that "the Anti-Trust Statute should stand, and that every possible effort to create and preserve competitive conditions should be made."

Some Results of Anti-Trust Laws in America.

During 1911, the Supreme Court of the United States having ordered the dissolution of three of the largest trusts in America, attempts were made to restore their component parts to their original position.

In the case of the dissolution of the Standard Oil Company, there are, or were, 6000 stock or shareholders to be dealt with. They were called upon to surrender the scrip, and in exchange received shares pro rata in the 40 other subsidiary companies which have constituted the Trust. At first sight this return to original conditions would appear to be destructive of the combination, against which action had been taken. But although the Standard Oil Company had 6000 shareholders, the majority of the stock was possessed by about a dozen men who will continue to control the majority of the shares in the 40 companies. It may, therefore, be expected that the 40 companies will continue the policy of the Standard Oil Company, and in that case the public will be no better off, the only result being that the administrative expenses will be greater.

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Formerly, the Standard Oil Company was a "holding company" owning anything over 50 per cent. of the stock in each of the various companies working the different branches of its business. On its dissolution the shareholders of the Standard Oil Company had divided amongst them (proportionately to their holdings) the shares held by the parent company in these various subsidiary concerns, and one result of increasing the number of shareholders in these various smaller companies has been that a demand set in for shares in these companies, and caused an immediate rise in their market value.

The American Tobacco Company is a more complex organisation than the Standard Oil Company, and its dissolution presents grave difficulties if perfect justice is to be rendered to every interest involved. This has been recognised, and the company has been required to submit its scheme of reallotment of its stock to the court for its approval. It is said that the court will insist upon shareholders being allotted only the same number of shares that they possessed in subsidiary companies at the time of their absorption by the Trust.

The Steel Corporation has also had its dissolution into the thirty-seven distinct corporations (which were combined to form it), ordered, and the separate corporations are to be prohibited from holding each other's shares. In their defence the Steel Trust Directors deny that the subsidiary companies formed by them violate the Anti-Trust Act, and claim that they were the normal and necessary developments of the times and insist that instead of restraining trade or commerce they have developed and increased it. The policy of the Corporation, the directors say further, has been always to encourage the utmost freedom of trade and commerce, and to refrain from oppressing, injuring, or harassing competitors.

It appears that although trusts may be dissolved and trust practices prohibited, prices and control continue precisely as before. The only result is great inconvenience and instability, with increased managerial costs. If a majority of the stock in individual companies is held by a few men, they will work together, and the policy of these companies will necessarily not be of a competitive nature between themselves. To prohibit the holding of stock by individuals would be impossible.

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Anti-Trust Legislation in England.

The Common Law of England prohibits monopolies and combinations in restraint of trade; but it is virtually a dead letter. In the historic case of the Mogul Steamship Co. versus McGregor, Gow and Co., the House of Lords, to whom the case ultimately went, declared that the defendants "have done nothing more against the plantiffs than to pursue to the bitter end a war of competition waged in the interests of their trade"; and it was further declared that competition, however violent, was "not contrary to public policy."

Lord Justice Fry said:—"To draw a line between fair and unfair competition, between what is reasonable, and what is unreasonable, passes the power of the courts." And Lord Justice Bower said:—"If peaceable and honest combinations of capital for purposes of trade competition are to be struck at, it must, I think, be by legislation, for I do not see that they are under the ban of the Common Law."

So much for the value of the Common Law in restricting Trusts and the formation of monopolies.

As to the attitude of the legislature on the question of anti-trust laws for Great Britain, the opinion of Mr. Asquith in 1908 is worth quoting. He said, in reply to a question relative to the existence of railway conferences, shipping, coal and iron rings, the Tobacco Trust, etc.:—

> "I am aware of the existence of trade combinations of the kind referred to, in the United Kingdom, and I agree that in some cases the effects of these may be prejudicial to the public interest. But the operation of such trusts are necessarily more circumscribed and less mischievous here than in other countries in which they are fostered by a general customs tariff, and I doubt whether there would, at the present time, be any advantage in an inquiry" (by Royal Commission).

Whether this is an attempt to justify the Liberal Fiscal policy of Free Trade for Great Britain is difficult to say. However, in any case there has been little agitation in England against private Trusts and monopolies, and, with the exception of the world trusts in Tobacco, Oil, Meat and Sewing Cotton, England has been comparatively free from Trust practices and the higher prices that would probably arise therefrom.

Anti-Trust Legislation in Australia.

The democratic nature of the Parliament of the Commonwealth and the existence of several combinations in restraint of trade led to the early passing (in 1906) of Anti-

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Trust legislation. The title of the law was the "Australian Industries Preservation Act," and with strengthening amendments added in 1910 it forms the only direct Anti-Trust legislation in Australia.

The Commonwealth Constitution only allows of interference in foreign and interstate trade and commerce, hence Federal law is inoperative in the case of trusts, combines and associations, whose operations do not extend beyond the limits of a State. Consideration of previous chapters will indicate that the majority of trade combinations in Australia do not extend beyond the limits of a State, hence it may be said that the Anti-Trust legislation of Australia is very limited in application.

The complete Act is given in the appendix, but it may be mentioned at this stage that it prohibits any person from making a contract or engaging in a combination in relation to trade or commerce with other countries or among the States provided such action be in restraint of trade, or tend, by means of unfair competition to injury of any Australian industry the preservation of which is advantageous to the Commonwealth. If the defendent be a commercial trust it is *prima facie* evidence of combination.

It is necessary, for a person charged under the Act, to prove that the combination or action of the defendant is not detrimental to the public, and that the prices and rates charged are not unreasonable. Monopolies and the giving or offering of any rebate or refund to another person for exclusive dealing are also prohibited, if it be proved that the monopoly, rebate or refund is detrimental to interstate or foreign trade. The refusal to sell to any person on the ground that he will not consent to exclusive dealing is also illegal. The penalties provided in the Act for each breach are £500, and £500 per day during the continuance of the breach. Further clauses gave the Government full and adequate power to examine books.

It is generally considered that the Act is nearly as powerful as it can possibly be made. But conviction under it really depends on proving a "detriment to the public" or that "unreasonable prices" are being fixed. These words must necessarily be in any Act, but to decide what is detrimental to the public and what are unreasonable prices is always the difficulty that besets any tribunal, which has to decide whether a combination or trading organisation is guilty or not, or whether its associations are justified or not in the public interest. The placing of the onus of proof

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that there is not restraint of trade and unreasonable prices to the detriment of the public really does little to strengthen the Act.

Only one action has been attempted by the Commonwealth Government under this Act, viz., that against the Associated Northern Collieries or the "Coal Vend." There was no doubt as to the combination, but on the questions of public detriment and unreasonable prices, opinions differed.

In another chapter the question of the unreasonableness or otherwise of the price of Newcastle coal is discussed; the matter of detriment to the public is also considered; it is therefore unnecessary to give here anything more than the findings of the Courts on these points. In this case on the same facts and evidence the following decisions were given:—

Mr. Justice Isaacs, in delivering judgment—

> ". . . Held that the defendants had made and entered into a contract, and were and continued to be members of, and were engaged in a combination with intent to restrain the Inter-State trade and commerce in Newcastle coal to the detriment of the public, and that they had also monopolised and combined or conspired to monopolise the said trade with intent to restrain, to the detriment of the public, the supply and price of the said commodity within the provisions of Sections 4 and 7 of the Act . . . . and penalties inflicted on the individual defendants and an injunction granted against the further carrying out of the unlawful contract or combination."

From the above finding it will be seen that Mr. Justice Isaacs found that the price of coal was unreasonable, and that there was a detriment to the public.

The Full Court, consisting of Justices Griffiths, Barton and O'Connor, held:—

> "That the agreement between the proprietors and the shipowners was not on its face made with intent to restrain trade and commerce to the detriment of the public, and with intent to monopolise the Interstate trade in such coal to the like detriment."
>
> "Further, on the evidence that no actual detriment to the public was shown to have been caused by the exercise of the powers conferred by the agreement, therefore that no intent to cause such detriment could be inferred."

Against this decision the Commonwealth Government appealed to England. A precis of the judgment of the Judicial Committee of the Privy Council (the Lord Chancellor, Lord Parker, Lord Shaw, and Lord Moulton), which

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on 28th May last dismissed, with costs, the appeal of the Attorney-General of Australia, was as follows:—

"Lord Parker, who delivered the judgment, said that their Lordships were not able to accept the Crown's proposition that all contracts and combinations in restraint of trade and commerce which could not be enforced at common law must be detrimental to the public within the meaning of the Act, and that those concerned with the contracts and combinations must be taken to have intended to injure the public. If this were the true effect of the Act, no trade union would be free from the risk of proceedings under Section 4. They could not believe that the Legislature intended to make the existence of trades unions dependent on the economic views of the Government for the time being. Their Lordships did not accept the view that the phrase 'detriment to the public' meant to the 'consuming public.' No doubt the shipping agreement was a contract in restraint of trade. The question then arose whether the Vend's shipping agreements embodied an unlawful intention—that is, the intention to restrain trade to the detriment of the public.

"The prices of coal at Newcastle had been disastrously low owing to the cut-throat competition prevailing for some years. It would not benefit the consumers that the colliery proprietors should carry on business at a loss, or that profit should depend upon the wages of the miners being reduced to the minimum. Any intention on the part of the Vend to raise prices to an unreasonable extent would be highly improbable, as the Vend did not include all the Newcastle and Maitland collieries, nor the southern and western collieries. Therefore, competition was not eliminated. This was shown by the Vend's action in 1909, when it refused to advance the price of coal more than 1/-, despite pressure by the miners. There was no evidence that coal was supplied to the foreign trade at a price less than that at which it was sold in the Interstate and home trade.

"The Vend agreement did not disclose any intention to injure the public, or any intention to control the supply, or to raise the prices. The clauses in the shipping agreement not permitting collieries to sell coal for the interstate trade to others than the shipping companies, was quite common in contracts of exclusive agency.

"Their Lordships considered that the other provisions in the agreement were really advantageous to the consumers, tending to ensure a reasonably steady supply. The only other question was whether it was possible to infer an intention to injure the public. If the agreements were regarded as parts of a single scheme, the answer was in the negative. If there was justification for a combination of the colliery proprietors, it was obviously reasonable to take precautions to secure a market for coal at increased prices.

"Finally, it was impossible to infer illegal intention from what was actually done under the agreements. Their Lordships agreed with the Court of Appeal on that point, and Chief Justice Griffith's criticisms upon Mr. Justice Isaac's conclusions were fully justified.

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"The Crown tendered no satisfactory evidence that the prices were unreasonable, while there was evidence that with the hewing rate at 4s. 2d., which was the lowest consistent with fair remuneration of the miners, it was impossible to sell the best coal below 11/- f.o.b.

"It was improper to draw inferences regarding the intention of parties entering into an agreement from the subsequent policy of the colliery proprietors and the shipping companies towards competitors in the coal trade. Such policy was in no way foreshadowed by either agreement, though it must not be supposed that their Lordships approved of everything done in pursuance of that policy."

This judgment of the Privy Council sums up the difficulties of determining whether a Trust or combination is to the public detriment or not or whether the prices are reasonable or unreasonable.

Proposed Anti-Trust Legislation in the States.

Although no legislation has been enacted in any of the Australian States against trusts or combines, the Hon. J. Drysdale Brown, Attorney-General in the State of Victoria in 1913, introduced, into the Legislative Council, a bill "relating to Unfair Discriminations in Trade and for other purposes."

The proposal was the result of disclosures in connection with the Printers' Combine in Melbourne. The principal provision in the proposed Act was contained in Section 3, which read as follows:—

"Any person who with any other person (such other person not being his partner principal or agent in respect of the sale of the goods) combines conspires confederates or agree to refuse to sell goods for cash to any other person—

(i.) either absolutely, or

(ii.) except at a price unfairly or unreasonably high, or

(iii.) except upon disadvantageous and oppressive terms or conditions,

shall be guilty of a misdemeanour and liable to a penalty not exceeding Five hundred pounds."

Attitude of the German Government to the Trusts.

The Federal constitution of Germany creates difficulties in the framing of comprehensive Anti-Trust laws. Constitutionally such legislation is a state matter, but there has apparently been no agitation for, much less any attempt to pass into law, Anti-Trust legislation. Whilst there is little authority for saying so, the German Government, dictated to as they are by the wealthy conservative land owning and manufacturing interests, encourage rather than restrict the

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formation of trade combinations. Their efficiency in building up an export trade has been recognised by all who have studied German trade and industry.

Although Germany has no special or common law against monopolies and restraint of trade, a very comprehensive Company Law has been enacted, and is rigidly enforced. It provides against Stock watering, fraudulent promoting and secret manipulation in any shape or form, but no restrictions are placed on the members of concerns that may be combined into the one company. A recent public inquiry has resulted in a report saying in effect that whilst the large industrial combinations have certain disadvantages, these are more than compensated by advantages. It is recognised, and the Law Courts have directed, that the German Syndicate and Trusts must be conducted on a highly moral business basis, and that the management must be held to a high degree of responsibility. This official encouragement of combination has led to a great industrial development, from which the German consumer is benefiting by great prosperity, even though he is also paying for it in high prices of commodities.

Anti-Trust Legislation in Other Countries.

The Combines Investigation Act of Canada provides that any person guilty of unduly limiting the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article, or of restraining or injuring trade in relation to any article, or guilty of unduly preventing, limiting, or lessening the production of any article or of unreasonably enhancing the price thereof, or preventing or lessening competition, and who thereafter continues to offend, is guilty of an indictable offence, and shall be liable to a penalty not exceeding 1000 dollars for each day the offence is continued.

An Anti-Trust law has been passed in France; it provides that it is a penal offence for persons to combine to fix prices. Very few actions have been taken by the Government against any combinations that may exist.

The Anti-Trust laws that have been passed in New Zealand and South Africa are included in the appendix. It is worthy of note, that, although the Colonial Sugar Refining Company and several merchants were convicted under the New Zealand law no changes have been made in the nature of the sugar trade, and there has been no appreciable lowering of the price.

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Summary.

From this short summary of the Anti-Trust legislation it will be seen that the results are virtually negligible, although the law has been put in force in the most civilised countries in the world. It seems to be impossible to legislate against secret agreement, and it appears as if anti-trust legislation will be just as ineffective as laws against secret commissions. Acts of Parliament of this nature can merely indicate what men should or should not do; compliance cannot be enforced.

No law ever will be effective against two men selling articles they possess at the same price, should they desire, and privately arrange to do so; no law can possibly prevent one man speaking to another about their respective businesses. The intense centralisation of trade and industry in Australia greatly assists these "gentlemen's understandings" which can seldom be touched by any law, and are just as effective, in preventing competition, and in raising prices, as any "holding" or "merging" corporation.

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CHAPTER 19.

Controlling Trusts and Combines by Recognising and Regulating "Monopoly."

(*a*) *Nationalisation of Monopolies.*

(*b*) *Fixing Prices and Conditions by Government Regulation.*

(A) Nationalisation of Monopolies.

The argument put forward by advocates for the nationalisation of monopolies as a solution of the Trust problem is usually on the following lines:—

Ingenuity and capital, generally of a few individuals, have converted a competitively run industry, with all the attendant wasteful expenditure of labour, into one in which a maximum of efficiency has been attained. But this has been accompanied by the acquisition of power by these individuals to fix prices. This power they naturally use to benefit themselves, and the public are exploited. It would be a backward step, and one, unsound from an economic point of view, to force a return to the old competitive system, even if it be possible. As the people have no longer the guarantee competition gives, that the prices will be reasonable, the simplest way to prevent further exploitation would be for the State to take over the industry and run it for the benefit of the people.

The Trust Movement, and private combination have, according to this argument, merely paved the way for the people assuming control of production, distribution and exchange. The perfect organisation and specialisation of labour resulting from the Trust movement can then, but not till then, give their full advantage to the world.

Advocates of the nationalisation of monopolies say, that up to the present all the saving and gain in efficiency through the elimination of wasteful competition have gone to those owning the monopoly. Substitute the State's executive for the directorate of the trust and the monopoly could then be run for the advantage of both producer and con-

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sumer—the people. To justify the policy of nationalisation it can be pointed out that Government railways, with multitudinous accessory industries, are most successfully worked throughout the world; industries such as that of Tobacco have been nationalised, and the results are satisfactory both from the point of view of quality of product, and revenue to the State.

On the other hand, objections can be raised, and the more industries that are nationalised the greater becomes the force of these objections. On strictly economic grounds and idealistic considerations, there is no reason why the functions of Government should not be extended indefinitely till most industries are absorbed. But there are limits set by the weaknesses of human nature.

Those opposed to the nationalisation of monopolies, and any extensions of State enterprise in industry, usually bring forward the following contentions:—

Firstly, the capacity of Governments, and particularly Democratic Governments, to manage industries, is limited, and there is secondly the requirement that the State employees (and their dependants in a country) shall not form too strong a minority (much less a majority) of the electors of the body or bodies in control.

Human nature has not yet evolved sufficiently to have eliminated any selfish desire on the part of State employees to use political power to improve their position beyond a fair limit; if their position is improved beyond a fair limit, then it must be at the expense of the rest of the community. It is impossible for an interested employee to judge what is a fair limit. If the State employees have a majority of the votes or can control a dominant party, they cannot be controlled.

Unfortunately it is a fact that practically every employee becomes lax and inefficient as soon as he is independent of, or can control, the employer; and if the general mass of State employees have great political influence, organisation and control by the officials (whom there necessarily must be) becomes ineffective. It is therefore quite possible for the decrease in efficiency, due to laxity of State control in a nationalised industry, being a severer tax on the people than the exorbitant profits of a trust.

Another factor which must be recognised is that with Government enterprise, the influence, which the politician must always have and exert to keep his place in politics, makes for inefficiency by the retention of inefficient em-

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ployees who have influence in the electorate. In a privately owned industry, efficiency, reduced working costs, and high profits are the goals, and men are dispensed with as soon as they become inefficient.

Summary.

In considering the question of nationalising industries, one is forced to the conclusion that it is one that cannot possibly be generalised upon. Perhaps it might be said that all those industries connected with transport, water and gas and electric light and power supply services, which must necessarily be monopolies if economy is to be gained, and on which many other industries depend, are better under State or municipal control. But it is impossible to come to any general conclusion in regard to monopolies of other services. Each case should be considered on its merits.

A practical difficulty exists in the acquisition of monopolies by the State. Of necessity those who now own a trade monopoly should be compensated, if they are dispossessed of it. They or their predecessors created their business on ordinary competitive business lines. If fault exists, it is not theirs; it is the fault of the representatives of the people in not seeing that combination and monopoly were the inevitable results of unchecked intense competition and the power of money concentrated in a few hands. The fault lies in not regulating the industry before it is too late. Legislation should have been ahead of requirements.

If private monopolies owned by corporations are to be acquired by the State the question really becomes one of the price that should be paid by the community to the owners in compensation for taking over the monopolies. There are three bases on which a price can be ascertained, viz.:—

(1) The market value of the stock of the corporation, or an independent valuation of assets and goodwill in the case of private individuals ownership.
(2) The capitalised value of the preceding few years' profit.
(3) The actual value of assets either as disclosed by the Companies' balance sheets or estimated by valuers.

Each system appears fair and reasonable, yet very different prices are obtained. Consider a few Australian monopolies and the difficulty of selecting a method of valuation will become apparent. The estimated value of assets of the Colonial Sugar Refining Co. are £5,566,500, and the

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market value of the Company's stock is £7,600,000. Have the assets been undervalued, or is the monopoly of the sugar industry—the Company's goodwill—worth some £2,000,000? The capitalised value of the dividends of the past few years is some £6,500,000, if 5 per cent. be taken as the rate of interest on which to value the monopoly.

In the case of the Interstate Steamship Companies there has been an obvious writing down of assets to hide the profits, and the actual value of their fleets and property is greatly in excess of the balance sheets' valuation. The market values of the companies' shares are greatly in excess of the declared assets.

When a combination such as the Dried Fruits Association or the Master Dairymen's Association, or such as that in the Printing trade, is considered, the attempt to establish a basis on which to pay compensation in the event of nationalisation becomes apparent.

The whole difficulty, in coming to a determination as to the value of a monopoly to be nationalised, lies in estimating the amount to be paid as compensation for goodwill. Goodwill in the case of a trade monopoly is the exclusive privilege to fix prices for services to a community and to supply the commodity at these prices. Should this be compensated for by that community, particularly when such privileges are in contravention of the spirit of the Anti-Trust legislation or the provisions of the common law?

In such circumstances it is difficult to justify compensation for goodwill. To load the nationalised industry by compensating for goodwill, or on the basis of the market value of the shares which depends on the prospective profits calculated on the same considerations, is, under the circumstances, equally wrong.

On the other hand, those who bought stock on the present basis would have a certain part of their capital confiscated (in the case of the Colonial Sugar Refining Co. nearly 25 per cent.) if the value of the assets or capitalisation of previous dividends be taken as the measure of compensation.

Another matter that should be considered when the nationalisation of monopolies is being discussed is the availability of money. For a country not requiring large sums of money for public works of essentially a State nature, nationalisation of industrial monopolies would be a better financial proposition than in the case of a country like Australia, which has use for all the public money available for large developmental schemes.

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Furthermore, in an old and settled country private and individual enterprise is not so essential to progress. Extensive nationalisation of industries would undoubtedly act as, at any rate, a bogey to the investment in enterprises without which a new country like Australia cannot progress. Ability to govern and administer counts for little at elections, particularly where the party divisions are on class lines. Parliament therefore cannot be highly efficient. To develop a large country like Australia by Government direction of effort alone must be considered as quite beyond the capacity of its various Governments.

The relative advantage of, and the effects of unrestricted private enterprise in the one case, and of State interference and control in the other, are seen in the development of the United States and Australia respectively. Making all allowances for superiority in natural resources and situation, the former country, with no thoughts of nationalisation, is progressing much more rapidly and making much better use of its resources.

It is significant also that with an overflowing Treasury, and an intense public hostility to the Trusts, the question of nationalising monopolies has hardly been raised in the United States of America. None of the large political parties have advocated it as a solution of the Trust problem; it is only the Socialist organisations have it as part of their platform.

Public opinion in Australia, on the other hand, appears to be almost evenly divided on the question of the nationalisation of monopolies if the result of the Referendum in 1913 is a true indication of the people's opinion.

(B) Fixing Prices and Conditions by Government Regulation.

The policy of recognising a "Trust" and its monopoly and regulating the prices of commodities bought or sold by such a combination (which is otherwise uninterfered with) is the direct antithesis of Anti-Trust legislation. The latter aims at destroying the combination and restoring a competitive system to regulate the conduct of the trade and the prices ruling. The former perpetuates a private monopoly.

Those who advocate a system of regulation and price fixing would only apply it to those industries in which there is restraint of trade. They advocate the appointment of a Government Commission or Court which would have power to conduct an audit of the accounts of those connected

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with the "combination." A reasonable profit would then be allowed in fixing the buying prices of raw materials exclusively used by the combination and the selling prices of the finished articles, the quality of which should also have to be fixed.

These matters are now decided by those controlling the Trust, and the people are virtually helpless; the establishment of a regulating commission would restore public control of a public necessity, and at the same time it would insure a fair return to those engaged in the supply of the service.

In actual practice it would not be necessary to fix exact prices; all that would be necessary would be to fix maximum and minimum rates so that the real profit is maintained at a reasonable level. To completely regulate a Trust, and to re-establish the control of the people over the supply of a necessity, differential rates, boycotting of individuals and such other secret practices as usually accompany a monopoly in trade could be prevented; there would be little desire for those in control to continue them if their monopoly was legalised. No difficulty is experienced in fixing railway and tramway freights and fares when a concession for a railway or tramway monopoly is given. Amendments of these rates have frequently been made. The price of gas, water and electric light is usually fixed by regulation before the franchise is granted. The Federal Interstate Commission is asked to determine the duties on everything entering Australia on the basis of relative costs of production at home and abroad. The Board of Trade in England decides the railway and tramway fares. The Interstate Commission of the United States determines the freights on Interstate railways in America. An Arbitration Court fixes the rates of wages and hours of labour for the whole of Australia, and thereby fixes to a large measure the working costs of production. If all this can be done, it can be argued that the far simpler thing of fixing the buying and selling prices of the relatively few articles which are subject to "Trust" control or combination in restraint of trade, can also be done; and far more easily done too.

With an assured reasonable return on the capital invested, such as would then be guaranteed, a much smaller rate of interest return would be required than under a system which is always subject to being broken up by an action under an anti-trust law.

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Prior to the advent of the private Trust or monopoly, the natural law of supply and demand operated and kept prices at a reasonable level. It is only when this law breaks down, as it does when a Trust, combine, or association monopolises a trade, that there is any need for the State to intervene and re-establish its authority by controlling prices. Restraint in trade is artificial; then artificial means must be adopted to counteract any bad effect.

The case for regulation of trusts and combines by government control over prices is well put by C. Van Hise, of the Wisconsin University, in his work entitled "Concentration and Control." In discussing the advantages of this system of control he says:—

"We may return to a state of subdivision of industry in which the economies of concentration are not available, and depend upon competition to control prices. If it were possible to secure tolerant competition, to use a phrase which has been proposed, under these conditions it is probable that the prices would be higher than they are with concentration, even with co-operation and without control.

"That we return to such a condition contrary to the world-wide tendency is extremely improbable, almost unthinkable. The other alternative is to have large units; if we have large units co-operation becomes inevitable, and with concentration and co-operation the prices unregulated will become unduly high. The only protection for the public is regulation in some way; and such regulation is best accomplished through a commission which has authority to place maximum and minimum prices at reasonable levels. . . .

"In this connection it is notable that the potash industry in Germany, where complete monopoly is allowed, is placed under control of a commission with authority to regulate prices. Therefore at the present time in Germany the plan of regulating prices by commission is in operation for one industry.

"It may be said that the burden of controlling prices will be so great that it cannot be performed by commissions. Precisely the same statements were made regarding railroads when it was proposed to control prices of public institutions by commission. It may be asserted without fear of successful contradiction that there is no problem of adjustment of prices more difficult than that of freight rates." . . . .

This is the opinion of the political economist, and it is in opposition to that of the Committee of the United States Congress. As previously mentioned, this committee was opposed to any attempt at price fixing. Whilst President Wilson has not been very definite in his pronouncements on the subject of Trust Control, and has determined to give anti-trust legislation a further trial, yet in introducing proposals in regard to interstate railways, he provided that power should be given by legislation to the Interstate Com-

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merce Commission to regulate the financial operations of all American railways. He declared that no radical changes were intended, but that the penalties would be made to fall, not upon the business itself, but personally on the men responsible for breaking the law.

Ex-President Roosevelt in his campaign virtually advocated the recognition of monopoly and price fixing by Government Commissions.

The principle underlying this policy is that the selling price for export can be as high as possible, whereas the local home price shall be strictly limited, giving a reasonable profit to those concerned.

It is significant that the United States Steel Corporation welcomed and supported a system of control of home prices of steel as long as it was allowed to remain a Trust or single corporation, and to have its factories organised to their maximum efficiency. The Trust's export trade can then expand to its fullest extent and make the highest profits possible. If the Steel Corporation is free to do this, it is quite prepared to supply iron to the home market at a price fixed so that it would give no more than a fair return on the capital invested. If only the home prices are fixed, the selling price in the foreign market could be what the Trust likes to make it, and out of the export trade as much profit as possible could be derived. A private corporation knowing it was immune from proceedings to disband it by anti-trust laws, could always make much more out of its foreign trade than any Government monopoly or small competing organisations could. It is only excessive prices charged to the home consumer that are objected to; his and the Trusts' interests are identical as far as foreign prices are concerned.

Comparisons between United States and Australia.

In these concluding chapters considerable prominence has been given to opinions on the solution of the Trust Problem in the United States, because it is only in this country that the question has been deeply considered. In drawing comparisons, however, between the United States and Australia, there are several factors which should be considered; and they seem to point to the conclusion that the conditions obtaining in Australia are more favourable to the recognition and control of monopoly, than they are in the United States.

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The converse is true in regad to anti-trust legislation, the underlying principle of which is, the restoration of competition and control of prices by competition. Comparing the two countries, the United States and Australia, one is forced to the conclusion that the conditions are far more favourable to the maintenance or re-establishment of competition in the former. The following reasons may be assigned for this:—The United States has twenty times the population Australia has; the amount of capital in the country is also greater in the same proportion; and there are many more wealthy men. Whereas in Australia there are three or four centres of capital, population and industrial control, there are perhaps a hundred in America. All this tends to greater competition in the United States. Then again, it is adjacent to Canada and only a few days away from Europe, so the availability of capital for competing organisations is greater.

But greatest reason of all why control by competition may be preferable in the United States, whilst regulation of monopoly may be the better policy for Australia, is the fact that there is far greater individuality and individual enterprise in the character of the American than in the Australian; this result is probably due to the different trend of legislation in the two countries.

It will therefore be well to recognise these essential differences in the two countries, when any conclusion is drawn from the treatment of the Trust Problem in America and Australia respectively.

Conclusion.

Having endeavoured to point out some of the facts in connection with the "Trust Movement in Australia," it is hoped, that those considering them, will be able to influence legislation so as to retain what is beneficial, and eliminate what is detrimental, in the "Trust Movement."

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APPENDIX.

ANTI-TRUST LEGISLATION IN BRITISH DOMINIONS.

Australia.
New Zealand.
Canada.
New Brunswick.
Union of South Africa.
Cape of Good Hope.

AUSTRALIA.

The Australian Industries Preservation Act, 1906-1910.

Part I.—Preliminary.

1. This Act may be cited as the Australian Industries Preservation Act 1906-1910.
2. This Act is divided into parts as follows:—
   Part I.—Preliminary.
   Part II.—Repression of Monopolies.
   Part III.—Prevention of Dumping.
3. In this Act, unless the contrary intention appears—
   "Commercial Trust" includes a combination, whether wholly or partly within or beyond Australia, of separate and independent persons (corporate or unincorporate) whose voting power or determinations are controlled or controllable by—
   (a) the creation of a trust as understood in equity, or of a corporation, wherein the trustees or corporation hold the interests, shares, or stock of the constituent persons; or
   (b) an agreement; or
   (c) the creation of a board of management or its equivalent; or
   (d) some similar means;
   and includes any division, part, constituent person, or agent of a Commercial Trust.
   "Inadequate remuneration for labour" includes inadequate pay or excessive hours or any terms or conditions of labour or employment unduly disadvantageous to workers;

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"Person" includes corporation and firm and a Commercial Trust.

"The Comptroller-General" means the Comptroller-General of Customs.

"Answer questions" means that the person on whom the obligation of answering questions is cast shall to the best of his knowledge, information and belief truly answer all questions on the subject mentioned that the Comptroller-General or the person named by him shall ask.

"Produce documents" means that the person on whom the obligation to produce documents is cast shall to the best of his power produce to the Comptroller-General or to the person named by him all documents relating to the subject-matter mentioned.

Part II.—Repression of Monopolies.

4.—(1) Any person who, either as principal or as agent, makes or enters into any contract, or is or continues to be a member of or engages in any combination, in relation to trade or commerce with other countries or among the States—

(a) in restraint of or with intent to restrain trade or commerce; or

(b) to the destruction or injury of or with intent to destroy or injure by means of unfair competition, any Australian industry the preservation of which is advantageous to the Commonwealth, having due regard to the interests of producers, workers, and consumers,

is guilty of an offence.

Penalty: Five hundred pounds, or, in the case of a continuing offence, Five hundred pounds for each day during which the offence continues.

(2) Every contract made or entered into in contravention of this section shall be absolutely illegal and void.

(3) It shall be a defence to a proceeding for an offence under paragraph (a) of sub-section (1) of this section, and an answer to an allegation that a contract was made or entered into in restraint of, or with intent to restrain, trade or commerce, if the party alleged to have contravened this section proves—

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(a) that the matter or thing alleged to have been done in restraint of, or with intend to restrain, trade or commerce, was not to the detriment of the public, and

(b) that the restraint of trade or commerce effected or intended was not unreasonable.*

6.—(1) For the purposes of section four and section ten of this Act, unfair competition means competition which is unfair in the circumstances; and in the following cases the competition shall be deemed to be unfair unless the contrary is proved:—

(a) if the defendant is a Commercial Trust;

(b) if the competition would probably or does in fact result in an inadequate remuneration for labour in the Australian industry;

(c) if the competition would probably or does in fact result in creating substantial disorganisation in Australian industry or throwing workers out of employment;

(d) if the defendant, with respect to any goods or services which are the subject of the competition, gives, offers, or promises to any person any rebate, refund, discount, or reward upon condition that that person deals, or in consideration of that person having dealt, with the defendant to the exclusion of other persons dealing in similar goods or services.

(2) In determining whether the competition is unfair, regard shall be had to the management, the processes, the plant, and the machinery employed or adopted in the Australian industry affected by the competition being reasonably efficient, effective, and up-to-date.

7.—(1) Any person who monopolises or attempts to monopolise, or combines or conspires with any other person to monopolise, any part of the trade or commerce with other countries or among the States, is guilty of an indictable offence.

Penalty: Five hundred pounds for each day during which the offence continues, or one year's imprisonment, or both; or, in the case of a corporation, One thousand pounds for each day during which the offence continues.

(2) Every contract made or entered into in contravention of this section shall be absolutely illegal and void.

(3) The Attorney-General may elect, instead of proceeding by indictment for an offence against this section,

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to institute proceedings in the High Court by way of civil action for the recovery of the pecuniary penalties for the offence; in which case the action shall be tried before a justice of that Court without a jury.

7a.—(1) Any person who, in relation to trade or commerce with other countries or among the States, either as principal or agent, in respect of dealings in any goods or services gives offers or promises to any other person any rebate, refund, discount, concession, or reward, for the reason, or upon the condition, express or implied, that the latter person—

(a) deals, or has dealt, or will deal, or intends to deal exclusively with any person, either in relation to any particular goods or services or generally; or

(b) deals or has dealt, or will deal, or intends to deal, exclusively with members of a Commercial Trust, either in relation to any particular goods or services or generally; or

(c) does not deal, or has not dealt, or will not deal, or does not intend to deal, with certain persons, either in relation to any particular goods or services or generally; or

(d) is or becomes a member of a Commercial Trust,

is guilty of an offence.

Penalty: Five hundred pounds.

(2) Every contract made or entered into in contravention of this section shall be absolutely illegal and void.

(3) It shall be a defence to a prosecution under this section, and an answer to an allegation that a contract was made or entered into in contravention of this section, if the party alleged to have contravened this section proves that the matter or thing alleged to have been done in contravention of this section was not to the detriment of the public, and did not constitute competition which was unfair in the circumstances, and was not destructive of or injurious to any Australian industry.

7b. Any person who, in relation to trade and commerce with other countries or among the States, either as principal or agent, refuses either absolutely or except upon disadvantageous conditions to sell or supply to any other person any goods or services for the reason that the latter person—

(a) deals, or has dealt, or will deal, or intends to deal, with any person; or

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(b) deals, or has dealt, or will deal, or intends to deal, with persons who are not members of a Commercial Trust; or

(c) is not a member of a Commercial Trust,

is guilty of an offence.

Penalty: Five hundred pounds.*

9. Whoever aids, abets, counsels, or procures, or by act or omission is in any way, directly or indirectly, knowingly concerned in or privy to—

(a) the commission of any offence against this part of this Act; or

(b) the doing of any act outside Australia which would, if done within Australia, be an offence against this part of this Act,

shall be deemed to have committed the offence.

Penalty: Five hundred pounds.

10.—(1) The Attorney-General, or any person thereto authorised by him, may institute proceedings in the High Court to restrain by injunction after hearing and determining the merits and not by way of interlocutory order the carrying out of any contract made or entered into after the commencement of this Act of any combination which—

(a) is in restraint of trade or commerce; or

(b) is destructive or injurious, by means of unfair competition, to any Australian industry the preservation of which is advantageous to the Commonwealth, having due regard to the interests of producers, workers, and consumers.

Provided that this section shall only apply to contracts or combinations in relation to commerce with other countries or among the States.

(2) On the conviction of any person for an offence under this part of this Act the Justice before whom the trial takes place shall, upon application by or on behalf of the Attorney-General or any person thereto authorised by him, grant an injunction restraining the convicted person and his servants and agents from the repetition or continuance of the offence of which he has been convicted.

10a.—(1) Any person who does any act or thing in disobedience of an injunction granted under this part of this Act shall be guilty of an offence.

Penalty: Five hundred pounds for each day during which the offence continues.

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(2) This section shall not be deemed to derogate from the power of the High Court, apart from this section, to enforce obedience to the injunction.

11.—(1) Any person who is injured in his person or property by any other person, by reason of any act or thing done by that other person in contravention of this part of this Act, or by reason of any act or thing done in contravention of any injunction granted under this part of this Act may, in the High Court, before a justice without a jury, sue for and recover treble damages for the injury.

(2) No person shall, in any proceeding under this section, be excused from answering any question put either viva voce or by interrogatory, or from making any discovery of documents, on the ground that the answer or discovery may criminate or tend to criminate him; but his answer shall not be admissible in evidence against him in any criminal proceeding other than a prosecution for perjury.

12. The jury panel for the trial of any offence against this part of this Act, or for the trial of any action or issue under this part of this Act, shall be taken from the list of special jurors (if any) in the State or part of the Commonwealth in which the trial takes place.

13.—(1) Proceedings for the recovery of pecuniary penalties for offences against this part of this Act (other than indictable offences or offences against section fifteen B, section fifteen C, or section fifteen E) shall be instituted in the High Court by way of civil action and shall be tried before a justice of that Court without a jury.

(2) Any offence against this part of this Act committed by a person who has previously been convicted of any offence against this part of this Act shall be an indictable offence, punishable on conviction by a penalty not exceeding Five hundred pounds, or imprisonment for any term not exceeding one year, or both; in the case of a corporation, by a penalty not exceeding One thousand pounds.

14.—(1) No proceeding for an indictable offence or for the recovery of penalties shall be instituted under this part except by the Attorney-General or some person authorised by him.

(2) No other proceeding shall be instituted under this part without the written consent of the Attorney-General.

14a. In any proceeding for an offence against this part

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of this Act, and indictment, information, statement of claim, conviction, warrant, or other process shall suffice if the offence is set forth as nearly as may be in the words of this Act.

14b. No person shall, in any proceeding for an offence against this part of this Act, be excused from answering any question, put either viva voce or by interrogatory, or from making any discovery of documents, on the ground that the answer or discovery may tend to criminate him or make him liable to a penalty; but his answer shall not be admissible in evidence against him in any civil or criminal proceeding other than a proceeding for an offence against this Act or a prosecution for perjury.

14c. In any proceeding for an offence against this part of this Act, wherein a combination or conspiracy or attempted combination or conspiracy in contravention of this Act is alleged, any book, document, paper or writing containing—

(a) any minute, note, record or memorandum of any proceeding at any meeting of the persons or any of the persons alleged to have been parties or privy to the combination, conspiracy or attempt, or

(b) any entry purporting to be a copy of or extract from any such book, document, paper or writing,

shall, upon proof that it was produced by or came from the custody of those persons or any of them, or of a responsible officer or a representative of those persons or any of them,—

(i) be admissible in evidence against those persons; and

(ii) be evidence that the matter and things thereby appearing to have been done by those persons or any of them were so done, and that any person thereby appearing to have been present at the meeting was so present.

14d. In any proceeding for an offence against this part of this Act, any book, letter, document, paper or writing, or anything purporting to be a copy of, or extract from, any book, letter, document, paper or writing, containing any reference to any matter or thing alleged to be done in contravention of this Act, shall, upon proof that it was produced by or came from the custody of a person charged with the offence, or a responsible officer or a representative of that person,—

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(a) be admissible in evidence against that person; and

(b) be evidence of the matters and things thereby appearing, and that the book, letter, document, paper or writing (or, in the case of a copy, that the original thereof) was written, signed, despatched, and received by the persons by whom it purports to have been written, signed, despatched, and received, and that any such copy or extract is a true copy of, or extract from the original of or from which it purports to be a copy or extract.

15.—(1) Any person party to a contract or member of a combination or in any way concerned in carrying out the contract or the objects of the combination may—

(a) lodge with the Attorney-General a statutory declaration by himself, or in the case of a corporation by some one approved of in that behalf by the Attorney-General setting forth truly, fully and completely the terms and particulars of the contract, or the purposes, objects, and terms of agreement or constitution of the combination, as the case may be, and an address in Australia to which notices may be sent by the Attorney-General; and

(b) publish the statutory declaration in the "Gazette."

(2) The Attorney-General may at any time send notice to the person above-mentioned (hereinafter called the declarant), to the address mentioned in the statutory declaration, that he considers the contract or combination likely to restrain trade or commerce to the detriment of the public, or to destroy or injure an Australian industry by unfair competition.

(3) In any proceeding against the declarant in respect of any offence against section four of this Act, alleged to have been committed by him in relation to the contract or combination after the time the statutory declaration has been lodged and published, and before any notice as aforesaid has been sent to him by the Attorney-General, it shall be deemed (but as regards the declarant only and not as regards any other person) that the declarant had no intent to contravene the provisions of the section, if he proves that the statutory declaration contains a true, full and complete statement of the terms

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and particulars of the contract, or the purposes, objects, and terms of agreement or constitution of the combination, as the case may be, at the date of the statutory declaration and at the date of the alleged offence.

15a. In any prosecution for an offence against sections four, seven, seven A, seven B, or nine of this Act the averments of the prosecutor contained in the information, declaration or claim shall be deemed to be proved in the absence of proof to the contrary, but so that—

(a) the averment in the information of intent shall not be deemed sufficient to prove such intent, and

(b) in all proceedings for an indictable offence the guilt of the defendant must be established by evidence.

15b.—(1) If the Comptroller-General believes that an offence has been committed against this part of this Act, or if a complaint has been made in writing to the Comptroller-General that an offence has been committed against this part of this Act and the Comptroller-General believes that the offence has been committed, he may by writing under his hand require any person whom he believes to be capable of giving any information in relation to the alleged offence to answer questions and to produce documents to him or to some person named by him in relation to the alleged offence.

(2) No person shall refuse or fail to answer questions or produce documents when required to do so in pursuance of this section.

Penalty: Fifty pounds.

(3) The Comptroller-General or any person to whom any documents are produced in pursuance of this section may take copies of or extracts from those documents.

(4) No person shall be excused from answering any questions or producing any documents when required to do so under this section on the ground that the answer to the question or the production of the document might tend to criminate him or make him liable to a penalty; but his answer shall not be admissible in evidence against him in any civil or criminal proceeding other than a proceeding for an offence against this part of this Act.

15c.—(1) Whenever a complaint on oath has been made in writing to the Comptroller-General that any person or any foreign corporation or any trading or financial

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corporation formed within the Commonwealth has been guilty of any offence against this part of this Act, the Comptroller-General, if he believes the complaint to be well founded, may, by writing, require any such person or foreign corporation or trading or financial corporation or any member, officer or agent of any such corporation, to produce and hand over to him or to some person appointed by him in writing all books and documents relating to the subject-matter of the complaint, and all books and documents of any kind whatsoever wherein any entry or memorandum appears in any way relating to the subjeet-matter of the complaint.

(2) Every person or foreign corporation, or trading or financial corporation, required by the Comptroller-General as aforesaid to produce to him or to some person appointed by him in writing any books or documents shall forthwith produce and hand over such books or documents accordingly.

Penalty: One hundred pounds.

(3) The Comptroller-General or any person appointed by him in writing may inspect all books and documents produced in pursuance of this section and may make copies of or extracts from those books or documents.

15d. The Comptroller-General may impound or retain any book or document produced to him or to any person so appointed by him in pursuance of the preceding section, but the person or corporation otherwise entitled to such book or document shall in lieu thereof be entitled to a copy certified as correct by the Comptroller-General, and such certified copy shall be receivable in all Courts as evidence and of equal validity with the original. And until such certified copy is supplied the Comptroller-General may at such times and places as he shall think proper permit such person, or in the case of a corporation any person appointed for the purpose by the corporation, to inspect and take extracts from the books or documents so impounded or retained.

15e. No person shall disclose any information gained by him in the exercise of the powers conferred by the last three preceding sections except—

(a) to the Attorney-General, or some person authorised by him;

(b) to the Comptroller-General;

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(c) when giving evidence in any proceeding for an offence against this part of this Act.

Penalty: Fifty pounds.

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NEW ZEALAND.

The Commercial Trusts Act, 1910.

(An Act for the Repression of Monopolies in Trade or Commerce).

1. This Act may be cited as the Commercial Trusts Act, 1910, and shall come into operation on the first day of January, nineteen hundred and eleven.

2.—(1) In this Act, unless the contrary intention appears,—

"Commercial trust" means any association or combination (whether incorporated or not) of any number of persons, established either before or after the commencement of this Act, and either in New Zealand or elsewhere, and

(a) Having as its object or as one of its objects that of (i) controlling, determining, or influencing the supply or demand or price of any goods in New Zealand or any part thereof or elsewhere, or that of (ii) creating or maintaining in New Zealand or any part thereof or elsewhere a monopoly, whether complete or partial, in the supply or demand of any goods; or

(b) Acting in New Zealand or elsewhere with any such object as aforesaid;

and includes any firm or incorporated company having any such object, or acting as aforesaid:

"Association" includes the union of any number of persons by or under any agreement or trust, whether temporary or permanent, and whether legally valid or not, and whether including any scheme of organisation or common management or control or not:

"Member of a commercial trust" means any of the constituent, persons of that trust, or any agent of that trust, and, where any such constituent, person or agent is a corporation, firm, or association, includes every member or agent of that corporation, firm, or association:

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"Person" includes a corporation, and as used in the foregoing definitions of "commercial trust," "association," and "member of a commercial trust" includes also a firm of partners or any other association or combination of persons.

(2) Nothing in this Act shall apply to any goods other than those specified in the Schedule hereto.

3. Every person commits an offence who, either as principal or agent, in respect of dealings in any goods, gives, offers, or agrees to give to any other person any rebate, refund, discount, concession, allowance, reward, or other valuable consideration for the reason or upon the express or implied condition that the latter person—

(a) Deals or has dealt or will deal, or intends or undertakes or has undertaken or will undertake to deal, exclusively or principally, or to such an extent as amounts to exclusive or principal dealing, with any person or class of persons, either in relation to any particular goods or generally; or

(b) Does not deal or has not dealt or will not deal, or intends or undertakes or has undertaken or will undertake not to deal, with any person or class of persons, either in relation to any particular goods or generally; or

(c) Restricts or has restricted or will restrict, or intends or undertakes or has undertaken or will

(d) Is or becomes or has been, or has undertaken or will undertake to become, a member of a commercial trust; or

(e) Acts or has acted or will act, or intends or undertakes or has undertaken or will undertake to act, in obedience to or in conformity with the determinations, directions, suggestions, or requests of any commercial trust with respect to the sale, purchase, or supply of any goods.

4. Every person commits an offence who, either as principal or agent, refuses, either absolutely or except upon disadvantageous or relatively disadvantageous conditions, to sell or supply to any other person, or to purchase from any other person, any goods for the reason that the latter person—

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(a) Deals or has dealt or will deal, or intends to deal, or has not undertaken or will not undertake not to deal, with any person or class of persons, either in relation to any particular goods or generally; or

(b) Is not or has not been, or will not become or undertake to become or has not undertaken to become, a member of a commercial trust; or

(c) Does not act or has not acted or will not act, or does not intend to act, or has not undertaken or will not undertake to act, in obedience to or in conformity with the determinations, directions, suggestions, or requests of any commercial trust with respect to the sale, purchase, or supply of any goods.

5. Any person who conspires with any other person to monopolise wholly or partially the demand or supply in New Zealand or any part thereof of any goods, or to control wholly or partially the demand or supply or price in New Zealand or any part thereof of any goods, is guilty of an offence if such monopoly or control is of such a nature as to be contrary to the public interest.

6.—(1) Every person commits an offence who, either as principal or agent, sells or supplies, or offers for sale or supply, any goods at a price which is unreasonably high, if that price has been in any manner directly or indirectly determined, controlled, or influenced by any commercial trust of which that person or his principal (if any) is or has been a member.

(2.) Every person commits an offence who, in obedience to or in consequence of or in conformity with any determination, direction, suggestion, or request of any commercial trust, whether he is a member of that trust or not, sells or supplies, or offers for sale or supply, any goods, whether as principal or agent, at a price which is unreasonably high.

7.—(1) If any commercial trust, whether as principal or agent, sells or supplies, or offers for sale or supply, any goods at a price which is unreasonably high, every person who is then a member of that trust shall be deemed to have committed an offence against this Act.

(2) If in any such case the commercial trust is a corporation, it shall itself be guilty of an offence against this Act; but the liability of the trust shall not exclude or affect the liability of its members under the last preceding subsection.

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8. For the purposes of this Act the price of any goods shall be deemed to be unreasonably high if it produces or is calculated to produce more than a fair and reasonable rate of commercial profit to the person selling or supplying, or offering to sell or supply, those goods, or to his principal, or to any commercial trust of which that person or his principal is a member, or to any member of any such commercial trust.

9. Every person who aids, abets, counsels, or procures, or is in any way knowingly concerned in the commission of, an offence against this Act, or the doing of any act outside New Zealand which would if done in New Zealand be an offence against this Act, shall be deemed to have committed that offence.

10.—(1) Every person who commits an offence against this Act shall be liable to a penalty of five hundred pounds.

(2) If two or more persons are responsible for the same offence against this Act, each of those persons shall be severally liable to a penalty of five hundred pounds, and the liability of each of them shall be independent of the liability of the others.

11. Every such penalty shall constitute a debt due by the offender to His Majesty the King, and shall be recoverable, together with costs of suit, by a civil action in the Supreme Court, instituted by the Attorney-General for and in the name of His Majesty.

12. In any such action the Supreme Court may remit such part of the aforesaid penalty of five hundred pounds as it thinks fit, and may give judgment for the residue of the penalty only.

13. In any such action the Supreme Court may, in addition to the said penalty, grant an injunction against the continuance or repetition of the offence; but no such injunction shall be granted by way of interlocutory proceedings before final judgment in the action.

14.—(1) In any such action claims may be joined for the recovery of penalties in respect of several offences, whether of the same or of different kinds.

(2) In any such action several persons may be joined as defendants, whether in respect of the same or of different offences, and whether those offences are committed by the same or by different parties; and in any such case separate judgments may be given in respect of each defendant so joined.

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(3) In the case of any such joinder of causes of action or of parties the Supreme Court may give such directions as it thinks fit for the separate trial of any cause of action against any defendant.

15.—(1) In any action for the recovery of a penalty or for an injunction under this Act the Supreme Court may, in proof of any fact in issue, admit and accept as sufficient such evidence as it thinks fit, whether such evidence is legally admissible in other proceedings or not.

(2) In any action for the recovery of a penalty or for an injunction under this Act, no person, whether a party to the action or not, shall be excused from answering any question put to him by interrogatory or otherwise, or from producing or making discovery of any document, on the ground that the answer to the question or the production or discovery of the document would tend to criminate him in respect of any offence against this Act.

Schedule.

Goods to which this Act Applies.

Agricultural implements; Coal; Meat; Fish; Flour, Oatmeal, and the other products or by-products of the milling of wheat or oats; Petroleum or other mineral oil (including kerosene, naphtha, and the other products or by-products of any such oil); Sugar; Tobacco (including cigars and cigarettes).

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CANADA.

The Combines Investigation Act (Chapter 9, 1910).

(An Act to Provide for the Investigation of Combines, Monopolies, Trusts and Mergers).

1. This Act may be cited as The Combines Investigation Act.

Interpretation.

2. In this Act, unless the context otherwise requires—

(a) "Application" means an application to a judge for an order directing an investigation under the provisions of this Act;

(b) "Board" means a Board of Investigation established under the provisions of this Act;

(c) "Combine" means any contract, agreement, arrangement or combination which has, or is designed to have, the effect of increasing or fixing the price or rental of any article of trade or commerce or the cost of the storage or transportation

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thereof, or of the restricting competition in or of controlling the production, manufacture, transportation, storage, sale or supply thereof, to the detriment of consumers or producers of such article of trade or commerce, and includes the acquisition, leasing or otherwise taking over, or obtaining by any person to the end aforesaid, of any control over or interest in the business, or any portion of the business, of any other person, and also includes what is known as a trust, monopoly or merger;

(d) "Department" means the Department of Labour;

(e) "Judge" means, in the province of Ontario, any judge of the High Court of Justice; in the province of Quebec, any judge of the Superior Court; in the provinces of Nova Scotia, New Brunswick, British Columbia, Prince Edward Island, Saskatchewan and Alberta, any judge of the Supreme Court; in the province of Manitoba, any judge of the Court of King's Bench, and in the Yukon territory, any judge of the Territorial Court;

(f) "Minister" means the Minister of Labour;

(g) "Order" means an order of a judge under the provisions of this Act;

(h) "prescribed" means prescribed by this Act, or by any rule or regulation made thereunder;

(i) "Registrar" means the Registrar of Boards of Investigation appointed under this Act.

Administration.

3. The Minister shall have the general administration of this Act.

4. The Governor in Council shall appoint a Registrar of Boards of Investigation, who shall have the powers and perform the duties prescribed.

(2) The office of Registrar may be held either separately or in conjunction with any other office in the public service, and in the latter case the Registrar may, if the Governor in Council thinks fit, be appointed by reference to such other office, whereupon the person who for the time being holds such office or performs its duties shall, by virtue thereof and without thereby being entitled to any additional remuneration, be the Registrar.

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Order for Investigation.

5. Where six or more persons, British subjects resident in Canada and of full age, are of opinion that a combine exists, and that prices have been enhanced or competition restricted by reason of such combine, to the detriment of consumers or producers, such persons may make an application to a judge for an order directing an investigation into such alleged combine.

(2) Such application shall be in writing addressed to the judge, and shall ask for an order directing an investigation into the alleged combine, and shall also ask the judge to fix a time and place for the hearing of the applicants or their representative.

(3) The application shall be accompanied by a statement setting forth,—

(a) the nature of the alleged combine and the persons believed to be concerned therein;

(b) the manner in which the alleged combine affects prices or restricts competition, and the extent to which the alleged combine is believed to operate to the detriment of consumers or producers;

(c) the names and addresses of the parties making the application and the name and address of one of their number or of some other person whom they authorise to act as their representative for the purposes of this Act and to receive communications and conduct negotiations on their behalf.

(4) The application shall also be accompanied by a statutory declaration from each applicant declaring that the alleged combine operates to the detriment of the declarant as a consumer or producer, and that to the best of his knowledge and belief the combine alleged in the statement exists and that such combine is injurious to trade or has operated to the detriment of consumers or producers in the manner and to the extent described, and that it is in the public interest that an investigation should be had into such combine.

6. Within thirty days after the judge receives the application he shall fix a time and place for hearing the applicants and shall send due notice, by registered letter, to the representative authorised by the statement to re-

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ceive communications on behalf of the applicants. At such hearing the applicants may appear in person or by their representative or by counsel.

7. If upon such hearing the judge is satisfied that there is reasonable ground for believing that a combine exists which is injurious to trade or which has operated to the detriment of consumers or producers, and that it is in the public interest that an investigation should be held, the judge shall direct an investigation under the provisions of this Act; or if not so satisfied, and the judge is of opinion that in the circumstances an adjournment should be ordered, the judge may adjourn such hearing until further evidence in support of the application is given, or he may refuse to make an order for an investigation.

(2) The judge shall have all the powers vested in the court of which he is a judge to summon before him and enforce the attendance of witnesses, to administer oaths, and to require witnesses to give evidence on oath or on solemn affirmation (if they are persons entitled to affirm in civil matters), and to produce such books, papers or other documents or things as the judge deems requisite.

8. The order of the judge directing an investigation shall be transmitted by him to the Registrar by registered letter, and shall be accompanied by the application, the statement, a certified copy of any evidence taken before the judge, and the statutory declarations. The order shall state the matters to be investigated, the names of the persons alleged to be concerned in the combine, and the names and addresses of one or more of their number with whom, in the opinion of the judge, the Minister should communicate in order to obtain the recommendation for the appointment of a person as a member of the Board as hereinafter provided.

Appointment of Boards.

9. Upon receipt by the Registrar of the order directing an investigation the Minister shall forthwith proceed to appoint a Board.

10. Every Board shall consist of three members, who shall be appointed by the Minister under his hand and seal of office.

11. Of the three members of the Board one shall be appointed on the recommendation of the persons upon whose application the order has been granted, one on

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the recommendation of the persons named in the order as being concerned in the alleged combine, and the third on the recommendation of the two members so chosen.

12. The persons upon whose application the order has been granted and the persons named in the order as being concerned in the alleged combine, within seven days after being requested so to do by the Registrar, may each respectively recommend the name of a person who is willing and ready to act as a member of the Board, and the Minister shall appoint such persons members of the Board.

(2) For the purpose of obtaining the recommendations referred to in subsection 1 of this section it shall be sufficient, as respects the applicants, for the Registrar to communicate with the representative mentioned in the statement as authorised to receive communications on their behalf, and as respects the persons concerned in the alleged combine it shall be sufficient for the Registrar to communicate with the persons named in the order, as the persons with whom the Minister should communicate for this purpose.

(3) If the parties, or either of them, fail or neglect to make any recommendation within the said period, or such extension thereof as the Minister, on cause shown, grants, the Minister shall, as soon thereafter as possible, select and appoint a fit person or persons to be a member or members of the Board.

(4) The two members so appointed may, within seven days after their appointment, recommend the name of a judge of any court of record in Canada who is willing and ready to act as a third member of the Board, and the Minister shall appoint such judge as a member of the Board, and if they fail or neglect to make a recommendation within the said period, or such extension thereof as the Minister on cause shown grants, the Minister shall, as soon thereafter as possible, select and appoint a judge of any court of record in Canada to be the third member of the Board.

(5) The third member of the Board shall be its chairman.

(6) A vacancy in the membership of a Board shall be filled in the same manner as an original appointment is made.

13. No person shall act as a member of the Board who is one of the applicants for the Board or who has any

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direct pecuniary interest in the alleged combine that is the subject of investigation by such Board, or who is not a British subject.

14. As soon as possible after all the members of the Board have been appointed by the Minister, the Registrar shall notify the parties of the names of the chairman and other members of the Board.

15. Before entering upon the exercise of the functions of their office the members of the Board shall take the following oath:—

I, , do solemnly swear,—

That I will truly, faithfully and impartially perform my duties as a member of the Board appointed to investigate.

That I am a British subject.

That I have no direct pecuniary interest in the alleged combine that is to be the subject of investigation.

That I have not received nor will I accept either directly or indirectly any perquisite, gift, fee or gratuity from any person in any way interested in any matter or thing to be investigated by the Board.

That I am not immediately connected in business with any of the parties applying for this investigation, and am not acting in collusion with any person herein.

16. The Department may provide the Board with a stenographer and such clerical and other assistance as to the Minister appears necessary for the efficient carrying out of the provisions of this Act. The Department shall also repay any reasonable and proper disbursements made or authorised and certified by the judge who grants the order directing the investigation.

17. Upon the appointment of the Board the Registrar shall forward to the chairman copies of the application, statement, evidence, if any, taken before the judge, and order for investigation, and the Board shall forthwith proceed to deal with the matters referred to therein.

Inquiry and Report.

18. The Board shall expeditiously, fully and carefully inquire into the matters referred to it and all matters affecting the merits thereof, including the question of whether or not the price or rental of any article concerned has been unreasonably enhanced, or competition in the supply thereof unduly restricted, in consequence of a

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combine, and shall make a full and detailed report thereon to the Minister, which report shall set forth the various proceedings and steps taken by the Board for the purpose of fully and carefully ascertaining all the facts and circumstances connected with the alleged combine, including such findings and recommendations as, in the opinion of the Board, are in accordance with the merits and requirements of the case.

(2) In deciding any question that may affect the scope or extent of the investigation, the Board shall consider what is required to make the investigation as thorough and complete as the public interest demands.

19. The Board's report shall be in writing, and shall be signed by at least two of the members of the Board. The report shall be transmitted by the chairman to the Registrar, together with the evidence taken at such investigation certified by the chairman, and any documents and papers remaining in the custody of the Board. A minority report may be made and transmitted to the Registrar by any dissenting member of the Board.

20. Upon receipt of the Board's report and of the minority report, if any, a copy thereof shall be sent free of charge to the parties and to the representative of any newspaper in Canada who applies therefore, and the report and minority report, if any, shall also be published without delay in "The Canada Gazette." The Minister may distribute copies of the report, and of any minority report, in such manner as to him seems most desirable, as a means of securing a compliance with the Board's recommendations. The Registrar shall, upon payment of such fees as may be prescribed, supply a certified copy of any report or minority report to any person applying for it.

21. Whenever, from or as a result of an investigation under the provisions of this Act, or from or as a result of a judgment of the Supreme Court or Exchequer Court of Canada or of any superior court, or circuit, district or county court in Canada, it appears to the satisfaction of the Governor in Council that with regard to any article there exists any combine to promote unduly the advantage of the manufacturers or dealers at the expense of the consumers, and if it appears to the Governor in Council that such disadvantage to the consumer is facilitated by the duties of customs imposed on the article, or on any like article, the Governor in Council may direct either

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that such article be admitted into Canada free of duty or that the duty thereon be reduced to such amount or rate as will, in the opinion of the Governor in Council, give the public the benefit of reasonable competition.

22. In case the owner or holder of any patent issued under The Patent Act has made use of the exclusive rights and privileges which, as such owner or holder he controls, so as unduly to limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article which may be a subject of trade or commerce, or so as to restrain or injure trade or commerce in relation to any such article, or unduly to prevent, limit or lessen the manufacture or production of any article or unreasonably to enhance the price thereof, or unduly to prevent or lessen competition in the production, manufacture, purchase, barter, sale, transportation, storage or supply of any article, such patent shall be liable to be revoked. And, if a Board reports that a patent has been so made use of, the Minister of Justice may exhibit an information in the Exchequer Court of Canada praying for a judgment revoking such patent, and the court shall thereupon have jurisdiction to hear and decide the matter and to give judgment revoking the patent or otherwise as the evidence before the court may require.

23. Any person reported by a Board to have been guilty of unduly limiting the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article which may be a subject of trade or commerce; or of restraining or injuring trade or commerce in relation to any such article; or of unduly preventing, limiting or lessening the manufacture or production of any such article; or of unreasonably enhancing the price thereof; or of unduly preventing or lessening competition in the production, manufacture, purchase, barter, sale, transportation, storage or supply of any such article, and who thereafter continues so to offend, is guilty of an indictable offence and shall be liable to a penalty not exceeding one thousand dollars and costs for each day after the expiration of ten days, or such further extension of time as in the opinion of the Board may be necessary, from the date of the publication of the report of the Board in "The Canada Gazette" during which such person so continues to offend.

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Sittings of Board.

24. The sittings of the Board shall be held at such times and places as are fixed by the chairman, after consultation with the other members of the Board, and the parties shall be notified bythe chairman as to the times and places at which sittings are to be held: provided that, so far as practicable, the Board shall sit in the locality within which the subject-matter of the proceedings before it arose.

25. The proceedings of the Board shall be conducted in public, but the Board may order that any portion of the proceedings shall be conducted in private.

26. The decision of any two of the members present at a sitting of the Board shall be the decision of the Board.

27. The presence of the chairman and at least one other member of the Board shall be necessary to constitute a sitting of the Board.

28. In case of the absence of any one member from a meeting of the Board the other two members shall not proceed, unless it is shown that the absent member has been notified of the meeting in ample time to admit of his attendance.

29. Any party to an investigation may appear before the Board in person or may be represented by any other person or persons, or, with the consent of the Board, may be represented by counsel.

30. Whenever in the opinion of the Minister the public interest so requires, the Minister may apply to the Minister of Justice to instruct counsel to conduct the investigation before a Board. and upon such application the Minister of Justice may instruct counsel accordingly. The fees and expenses allowed to such counsel by the Minister of Justice shall be paid out of such appropriations as are made by Parliament to provide for the cost of administering this Act.

31. If, in any proceedings before the Board, any person wilfully insults any member of the Board, or wilfully interrupts the proceedings, or without good cause refuses to give evidence, or is guilty in any other manner of any wilful contempt in the face of the Board, any officer of the Board or any constable may take the person offending into custody and remove him from the precincts of the Board, to be detained in custody until

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the conclusion of that day's sitting of the Board, and the person so offending shall be liable, upon summary conviction, to a penalty not exceeding one hundred dollars.

Witnesses and Evidence.

32. For the purposes of an investigation the Board shall have all powers which are vested in any court of record in civil cases for the following purposes, namely: the summoning of witnesses before it, and enforcing their attendance from any part of Canada, of administering oaths, and of requiring witnesses to give evidence on oath or on solemn affirmation (if they are persons entitled to affirm in civil matters) and to produce such books, papers or other documents or things as the Board deems requisite to the full investigation of the matters into which it is inquiring.

(2) Any member of the Board may administer an oath.

(3) Summonses to witnesses and all other orders, process and proceedings shall be signed by the chairman.

33. All books, papers and other documents or things produced before the Board, whether voluntarily or in pursuance of summons, may be inspected by the Board, and also by such parties as the Board allows.

34. Any party to the proceedings shall be competent and may be compelled to give evidence as a witness.

35. Every person who is summoned and duly attends as a witness shall be entitled to an allowance for attendance and travelling expenses according to the scale in force with respect to witnesses in civil suits in the superior courts of the province in which the inquiry is being conducted.

36. If any person who has been duly served with a summons and to whom at the time of service payment or tender has been made of his reasonable travelling expenses according to the aforesaid scale, fails to attend or to produce any book, paper or other document or thing as required by his summons, he shall, unless he shows that there was good and sufficient cause for such failure, be guilty of an offence and liable upon summary conviction to a penalty not exceeding one hundred dollars.

37. The Board may, with the consent of the Minister, employ competent experts to examine books or official

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reports, and to advise it upon any technical or other matter material to the investigation, but the information obtained therefrom shall not, except in so far as the Board deems it expedient, be made public, and such parts of the books, papers or other documents as in the opinion of the Board are not material to the investigation may be sealed up.

Remuneration and Expenses of Board.

38. The members of a Board shall be remunerated for their services as follows:—

(a) To the two members first appointed an allowance of five dollars each per day for a time not exceeding three days during which they may be actually engaged in selecting the third member of the Board.

(b) To each member an allowance at the rate of twenty dollars for each day's sitting of the Board.

39. Each member of the Board shall be entitled to his actual and necessary travelling expenses and an allowance of ten dollars per day for each day that he is engaged in travelling from or to his place of residence for the purpose of attending or after having attended a meeting of the Board.

40. No member of the Board shall accept in addition to his travelling expenses and allowances as a member of the Board any perquisite, gift, fee or gratuity of any kind from any person in any way interested in any matter or thing that is being investigated by the Board. The acceptance of any such perquisite, gift, fee or gratuity by any member of the Board shall be an offence, and shall render such member liable upon summary conviction to a fine not exceeding one thousand dollars, and he shall thereafter be disqualified to act as a member of any Board.

41. All expenses of the Board, including expenses for transportation incurred by the members thereof or by persons under its order in making investigations under this Act, salaries of employees and agents, and fees and travelling expenses of witnesses, shall be allowed and paid upon the presentation of itemized vouchers therefor, approved and certified by the chairman of the Board, which vouchers shall be forwarded by the chairman to the Registrar. The chairman shall also forward to the

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Registrar a certified and detailed statement of the sittings of the Board and of the members present at each of such sittings.

Miscellaneous.

42. No proceedings under this Act shall be deemed invalid by reason of any defect of form or any technical irregularity.

43. Evidence of a report of a Board may be given in any court by the production of a copy of "The Canada Gazette" purporting to contain a copy of such report, or by the production of a copy of the report purporting to be certified by the Registrar to be a true copy.

44. The Minister shall determine the allowance or amounts to be paid to all persons, other than the members of a Board, employed by the Government or any Board, including the secretaries, clerks, experts, stenographers or other persons performing any services under the provisions of this Act.

45. The Governor in Council may make such regulations, not inconsistent with this Act, as to him seem necessary for carrying out the provisions of this Act and for the efficient administration thereof.

(2) Such regulations shall be published in "The Canada Gazette," and upon being so published they shall have the same force as if they formed part of this Act.

(3) The regulations shall be laid before both Houses of Parliament within fifteen days after such publication if Parliament is then sitting, and if Parliament is not then sitting then within fifteen days after the opening of the next session thereof.

46. The Minister shall lay before Parliament, within the first fifteen days of the then next session, an annual report of the proceedings under this Act.

47. Subsection 1 of section 12 of The Customs Tariff, 1907, is repealed.

48. This Act shall not be construed to repeal, amend or in any way affect The Trade Unions Act, chapter 125 of the Revised Statutes, 1906.

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SCHEDULE.

Form 1.

Application for Order Directing an Investigation.

"The Combines Investigation Act."

(Section 5.)

Dated at this day of , 19

In the matter of an alleged combine [here state shortly the nature of the combine].

To the Honourable [here insert the name of the judge], a Judge [or, Chief Justice, as the case may be] of the [here insert the title of the court].

The undersigned are of opinion that a combine exists [here state shortly the nature of the alleged combine] and that prices have been enhanced [or, competition has been restricted by such combine, as the case may be] to the detriment of consumers [or, producers, as the case may be].

The undersigned therefore apply for an order under "The Combines Investigation Act" directing an investigation into such alleged combine.

[Here state—

(a) the nature of the alleged combine and the persons believed to be concerned therein; and

(b) the manner in which the alleged combine affects prices or restricts competition, and the extent to which the alleged combine is believed to operate to the detriment of consumers or producers, as the case may be.]

Statement Accompanying Application for Order.

Dated at this day of , 19 .

The undersigned hereby authorize of [give name and place of residence] to act as our representative for the purposes of "The Combines Investigation Act," and to receive communications and conduct negotiations on our behalf.

The names and addresses of the persons applying for the aforesaid order are as follows:—

Names.	Addresses.
.....	.....
.....	.....
.....	.....

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*Statutory Declaration Accompanying Application for Order.**

Canada:
Province of , } To Wit,

I, , of the of in the of do solemnly declare:—

1. That the alleged combine operates to my detriment as a consumer [or, producer, as the case may be].

2. That to the best of my knowledge and belief the combine alleged in the foregoing statement exists and that such combine is injurious to trade [or, has operated to the detriment of consumers, or, producers, as the case may be] in the manner and to the extent described.

3. That it is in the public interest that an investigation should be had into such combine.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath, and by virtue of The Canada Evidence Act.

Declared before me at in the county of this day of 19 .

* A declaration as above must be made by each applicant.

Form 2.

Order Directing Investigation.

"The Combines Investigation Act."

(Section 7.)

In the matter of the application of [here insert the names of applicants], dated the day of 19 , for an order directing an investigation under "The Combines Investigation Act" into an alleged combine [here state shortly the nature of the combine].

I, the Honourable , a Judge [or, Chief Justice, as the case may be] of [here insert the name of court] after having read the application of [names of applicants], dated the day of 19 , the statement and statutory declarations accompanying the same and the evidence produced by the said applicants, am satisfied that there

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is reasonable ground for believing that a combine exists [here describe nature of combine] which is injurious to trade [or, which has operated to the detriment of consumers, or, producers, as the case may be], and that it is in the public interest that an investigation should be held, and I do therefore direct that an investigation be held, under the provisions of the said Act into the following matters, that is to say: [here set out the matters to be investigated].

The names of the persons alleged to be concerned in the alleged combine are [here insert names and addresses] and I am of opinion that the Minister of Labour should communicate with [here insert the name or names with, in each case, the address] in order to obtain the recommendation for the appointment of a person as a member of the Board of Investigation on behalf of those concerned in the said alleged combine.

Dated at . this day of 19. .

. . . . . .

NEW BRUNSWICK.

An Act to Establish a Board of Public Utility Commissioners (Cap. V., 1910).

1. In this Act, unless the context otherwise requires:—

(a) "Board" means the Board of Commissioners of Public Utilities established by this Act;

(b) "Public Utility" means and includes every corporation, company, person, association of persons, their lessees, trustees, liquidators or receivers, appointed by any Court, that now or hereafter owns or may own, operate, manage or control any plant or equipment for the conveyance of telephone messages or for the production, transmission, delivery or furnishing of heat, light, water or power, either directly or indirectly, to or for the public, and who may own and operate any street railway; and also means and includes any city or incorporated town that now or hereafter owns or may own, operate, manage or control any plant or equipment for the conveyance of telephone messages,

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or for the production, transmission, delivery or furnishing of heat, light, water or power, either directly or indirectly, to or for any other city or incorporated town, or any street railway.

2. The Lieutenant-Governor-in-Council may appoint three persons, who shall constitute a Board of Commissioners of Public Utilities, and shall designate a Chairman thereof, and appoint a Clerk for such Board, who shall keep a full and faithful record of its proceedings and serve such notices and perform such duties as the Board may require. Said Commissioners and Clerk shall be sworn to the faithful performance of the duties of their respective offices, before entering upon the discharge of same.

3. The said Commissioners and Clerk shall be paid such salary and expenses as the Lieutenant-Governor-in-Council determines.

4. The annual expenses of the Board, including the salaries of the Commissioners and Clerk, and the compensation to referees, shall be borne by the several Public Utilities according to their gross earnings, and shall be apportioned by the Board, which, on or before the 1st day of July in each year, shall assess upon each of said Public Utilities its just proportion of such expenses, in proportion to its gross earnings for the year next preceding that in which the assessment is made, and the sum so assessed on any Public Utility may be recovered from it, with costs, by civil action or proceedings at the suit of the Chairman of the Board in any court of competent jurisdiction.

5. Every Public Utility is required to furnish reasonably adequate service and facilities. The charge made by any Public Utility for any heat, light, water or power produced, transmitted, delivered or furnished, or for any telephone message conveyed, or for any service rendered or to be rendered in connection therewith, shall be reasonable and just, and every unjust or unreasonable charge for such service is prohibited and declared unlawful.

6. Every Public Utility shall, annually, make a return to the Board, in a form at a time prescribed by the said Board. Such return shall set forth the amount of its authorised capital, its capital paid up, its liabilities and assets, its receipts and expenditures for the preceding year, its dividends paid or declared, and such other statements showing its financial condition as may be required

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by the Board, and such returns shall be signed and sworn to by the principal officer or person engaged in the management of such Public Utility, at the time of making the said return.

7. The Board shall have the general supervision of all Public Utilities, and shall make all necessary examinations and enquiries and keep itself informed as to the compliance by the said Public Utilities with the provisions of this law.

8. Every Public Utility shall, on or before such date as is fixed by the Board, file with the Board schedules which shall be open to public inspection, showing all rates, tolls, and charges which it has established and which are established at the time for any service performed by said Public Utility within the Province, and until such schedules have been filed, the rates, tolls and charges shall not exceed those charged at the time of the passing of this Act.

9. No change shall, after the filing of said schedules, be made in any of the rates, tolls or charges, except upon thirty days' notice to the Board, and all such changes shall be plainly indicated upon existing schedules or by filing new schedules in lieu thereof, thirty days prior to the time the same are to take effect; provided that the Board, upon application of any Public Utility, may prescribe a less time within which a reduction may be made, or within which additions may be made to such schedules in respect to services for which no rates, tolls or charges are thereby provided.

Where, however, application is made by any person, firm or Corporation to a Public Utility for special services not covered by or included in the filed schedule, the Public Utility, notwithstanding anything herein contained, may make a rate and charge which shall take immediate effect, and the Public Utility forthwith shall file with the Board a schedule of the said rates and charges, which are to be the same for all like and contemporaneous services.

10. No Public Utility shall charge, demand, collect or receive a greater or less compensation for any service performed by it within the Province, than is prescribed in such schedules as are at the time established, or demand, collect or receive any rates, tolls or charges not specified in such schedules. The rates, tolls and charges named in the schedule so filed as aforesaid, shall be lawful

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rates, tolls and charges, until the same are altered, reduced or modified as provided in this Act.

11. Upon a complaint made to the Board against any Public Utility, by any Municipal Corporation, or by any persons, firms or corporations, that any of the rates, tolls, charges or schedules are in any respect unreasonable or unjustly discriminatory, or that any regulation, measurement, practice or act whatsoever, affecting or relating to the production, transmission, delivery or furnishing of heat, light, water or power, or the conveyance of telephone messages, or the rate charged by a street railway or any service in connection herewith, is, in any respect, unreasonable, insufficient or unjustly discriminatory, or that the service is inadequate or unobtainable, the Board shall proceed to make such investigation as it deems necessary or expedient, and may order such rates, tolls and charges reduced, modified or altered, and may make such order as to the modification or change of such regulation, measurements, practice or act, as the justice of the case may require, and may order, on such terms and subject to such conditions as are just, that the Public Utility furnish reasonably adequate service and facilities, but no such order shall be made or entered by the Board, without a public hearing or enquiry first had in respect thereto. The Board, when called upon to institute an investigation, may, in its discretion, require from the complainants the deposit of a reasonable amount of money, or other security to cover the costs of the investigation, which money or security shall be forfeited to the Board should the decision be given against the complainants.

12. Every Public Utility which, directly or indirectly, by any device whatsoever, charges, demands, collects, or receives from any person, firm, or corporation, a greater or less compensation for any service rendered or to be rendered by it, in, or affecting, or relating to, the production, transmission, delivery, or furnishing of heat, light, water or power, or the conveyance of telephone messages, or for rates on any street railway, or for any service in connection therewith, than that prescribed as provided herein, or than its charges, demands, collects or receives from any other person, firm or corporation for a like and contemporaneous service, is guilty of unjust discrimination, which is hereby prohibited and is liable to a penalty

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of not less than fifty dollars and not more than five hundred dollars; provided, however, that this provision shall not apply to any contract now current.

13. No person, firm or corporation shall knowingly solicit, accept, or receive, any rebate, concession, or discrimination, in respect to any service in, or affecting, or relating to, the production, transmission, delivery or furnishing of heat, light, water, or any street railway, or power, or the conveying of telephone messages within the Province, or for any service in connection therewith, whereby any such service shall, by any device whatsoever, or otherwise be rendered free or at a less rate than that named in the schedules in force as provided herein, or whereby any service or advantage is received other than is herein specified.

Any person, firm or corporation violating the provisions of this section, is liable to a penalty of not less than fifty dollars, and not more than five hundred dollars, for each offence.

14. If any person, firm or corporation supplied with heat, light, water, or power, or telephonic communication, by any Public Utility, neglects or refuses to pay the amount due for the same, or for the rent of the meter, or other articles hired by him, such Public Utility may discontinue the service and stop the supply. In such cases the officers, servants, or workmen of the Public Utility, may, after twenty-four hours' notice, enter the premises of such person, firm or corporation between the hours of nine o'clock in the forenoon and four o'clock in the afternoon, and separate and take away such meter, appliances or other property belonging to the Public Utility, and disconnect any pipes, wires, or fittings, or other works, whether its property or not, from the main pipes or wires of the Public Utility.

15. Notice of the hearing of any application for the approval of, or providing for an increase or decrease in the charges taken or collected by any Public Utility, unless otherwise ordered by the Board, shall be given by advertisement in one or more newspapers published in the county, city or town where such change of rate or charges is sought, for a period of not less than twenty days. If no newspaper is published in such county, city or town, said notice shall be published in a newspaper which circulates therein.

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16. At any hearing or enquiry, the Board may hear evidence upon oath, and may compel the attendance before it of witnesses, by subpœna, under the hand and seal of the Chairman of the Board, and may, by subpœna "duces tecum," compel the production by any witnesses of any paper, books or documents; and any witness who is served with a subpœna and paid the amount of money allowed to a witness for travel and attendance in the Supreme Court, shall be subject to the same penalties for disobeying such subpœna as he would be liable to had the subpœna been issued out of the Supreme Court. Any member of the Board may administer the oath to any witness.

17. The Board shall have the power to appoint or direct any person to make any enquiry and report upon any matter pending before the Board, or relevant to any such matter or matters over which the Board has jurisdiction.

18. The Board may, from time to time, make, revoke and alter rules and regulations for the effectual execution of its duties and of the intention and objects of this Act, and the regulation of the practice and procedure with regard to the matters over which it has jurisdiction; such rules and regulations, when approved by the Lieutenant-Governor-in-Council, shall have the force of law.

19. Any Public Utility, or any person aggrieved by any decision or order of the Board, may appeal therefrom to the Lieutenant-Governor-in-Council, within thirty days from the notice of said decision, and the Lieutenant-Governor-in-Council shall decide any question of fact upon the evidence taken before the Board, and may confirm, modify, vary or reverse such decision or order.

20. Every person, firm, corporation, or Public Utility, neglecting or refusing to obey, comply with or carry into effect any rule or order of the Board, or of the Lieutenant-Governor-in-Council, made under the provisions of this Act, is liable to a penalty of not less than fifty dollars and not more than five hundred dollars.

21. Nothing in this Act shall affect any right which any Public Utility has under its charter or act of incorporation. Provided, however, that the Board shall have the power to alter, change or reduce telephone rates or tolls, if the same shall be found to be excessive or unjust, in the opinion of the Board.

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UNION OF SOUTH AFRICA.

Extract from the Post Office Administration and Shipping Combinations Discouragement Act, 1911.

§ 6.—(1) The Governor-General may enter into contracts in writing with any persons for the conveyance by sea of postal articles to and from the Union beyond the limits of South Africa.

(2) The Governor-General shall not enter into any such ocean mail contract with any person who—

(a) is connected directly or indirectly with any such shipping or other combination as the Governor-General may deem detrimental to, or likely to affect adversely, South African trade or industries; or

(b) gives, offers, or promises to any person any rebate, refund, discount, or reward upon condition that such person shall ship, or in consideration of such person having shipped, goods by vessels of particular lines to the exclusion of any others.

(3) The Governor-General may make regulations—

(a) differentiating as regards docks, wharfage, transhipping, or any other like dues at any port or harbour of the Union on goods landed from, shipped in, or transhipped from vessels owned or chartered by persons with whom the Governor-General under subsection (2) may not contract; and

(b) differentiating as regards freight for the transport, over any railway belonging to the Government of the Union, of goods which have been landed or transhipped from, or are to be shipped in, vessels owned or chartered by persons with whom the Governor-General, under sub-section (2), may not contract; and

(c) prescribing the returns and other particulars which shall be made or furnished, and the manner in which such returns and particulars shall be made or furnished, by persons landing, transhipping or shipping goods from or in any vessel or transporting goods upon any railway of the Union;

and generally for the better carrying out of the objects and purposes of this section.

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(4) Nothing in this section contained shall be construed as affecting the right of the Postmaster-General to call upon the master of any vessel to carry out the duties imposed upon such master by Section thirty-eight* of this Act, or as relieving such master from any penalties imposed by this Act in respect of a failure to carry out such duty, notwithstanding that such vessel be owned or chartered by a person with whom the Governor-General, under subsection (2), may not contract.

. . . . . .

* It is provided by § 38 that Masters of vessels shall convey mails tendered to them.

CAPE OF GOOD HOPE.

Act to Prevent a Monopoly of the Meat Trade (No. 15 of 1907).

Whereas, it appears that within recent years certain persons have formed combinations for regulating the meat trade in order to secure larger profits, and whereas the effect of such combinations is prejudicial to the public interest, and whereas it is desirable to provide by law against such combinations.

Be it enacted by the Governor of the Cape of Good Hope, by and with the advice and consent of the Legislative Council and the House of Assembly thereof, as follows:—

1. In this Act the following words shall, unless the context otherwise requires, bear the meanings set opposite them:—

"Butcher" shall mean any person who is required to take out a butcher's licence under the provisions of Section twenty of Act No. 3 of 1864, and Section five of the amending Act No. 43 of 1898.

"Person" shall include any partnership or company.

"Superior Court" shall mean the Supreme Court, Eastern Districts Court, High Court or any Circuit Court within their respective jurisdictions.

2. Every licence to carry on the trade of a butcher, issued after the promulgation of this Act, shall bear endorsed thereon the address of the premises in which the trade is to be carried on, and any person who shall carry on the said trade in premises other than those in respect

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of which the licence has been issued shall be subject to the penalties to which any person is liable who carried on such trade without a licence, provided, however, that nothing in this section contained shall be deemed to affect the provisions of sections seven, eight and nine of Act No. 13 of 1870: Provided further and notwithstanding anything to the contrary in Act No. 20 of 1884, the licence fee payable by a butcher to sell South African grown meat only, shall be Five Pounds per annum, and the licence fee payable by a butcher to sell also other than South African grown meat, or to sell other than South African grown meat only, shall be Ten Pounds per annum.

3. Every act, contract, combination or conspiracy in unreasonable restraint of the trade of a butcher is hereby declared to be illegal, and every person who shall commit any such act or make any such contract or engage in such combination or conspiracy shall be guilty of a criminal offence, and subject on conviction to a penalty not exceeding £500, and in default of payment thereof to imprisonment with or without hard labour for a period not exceeding twelve months: Provided

(1) That it shall not be illegal for any person carrying on the trade of a butcher to enter into a bona fide partnership with any other person carrying on the same trade; or to enter into any bona fide arrangement with any other person or persons carrying on the same trade, with the object of effecting economies in the said trade or carrying on business more economically.

(2) That the provisions of this section shall not apply to any contract which is the mere accompaniment of the sale of fixed property for the purpose of enhancing the price at which the vendor sells the said property.

4. All contracts and undertakings in support of any combination the object of which is to secure the control of the sale of meat, so as to enable such combination to arbitrarily control or regulate the price thereof, shall be held to be illegal and void.

5. Any person who is engaged in the trade of a butcher or acting on behalf of a butcher, who shall compel, or attempt to compel, by threats, or intimidation, verbally or in writing, any butcher to sell meat at a price or

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prices other than those at which he is or was selling at the time when such threats or intimidation were made, or would have sold but for such threats or intimidation, shall be guilty of a criminal offence and subject on conviction to a penalty not exceeding £100, and in default of payment thereof to imprisonment with or without hard labour for a period not exceeding six months.

6. The licence to carry on the trade of a butcher issued to any person who shall be convicted under sections three or five hereof shall be cancelled and no such licence shall be issued to him at any time within the period of two years from the date of such a conviction.

7. Any contravention of the provisions of sections three and five of this Act shall be prosecuted in a superior court.

8. The foregoing provisions of this Act or any of them, with the exception of that part of section two which applies to the licence fees payable by butchers, shall become operative only in those Divisions of this Colony in which it may be proclaimed to be in force by the Governor upon an application to that effect from the Divisional Council of the Division, under a resolution adopted by such Council at a meeting where at least three-fourths of the members are present, and at least a majority of those present voted for the resolution: provided that if the Divisional Councils of the Cape, Port Elizabeth, East London or Kimberley decline to make such application, any Municipal Council within any one of these Divisions may make application for the proclamation of the provisions of this Act within its own Municipal area.

9. This Act may be cited for all purposes as the "Meat Trade Act, 1907."

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ANTI-TRUST LEGISLATION IN UNITED STATES OF AMERICA.

(a) The Federal Anti-Trust Law.
(b) State Anti-Trust Laws.

(*a*) THE FEDERAL ANTI-TRUST LAW.

An Act to Protect Trade and Commerce against Unlawful Restraints and Monopolies.

(The Sherman Act.)

(Act of July 2, 1890, ch. 647, 26 Stat. L. 209.)

S1. (*Trusts, Etc., in Restraint of Trade, Etc., Illegal—Persons Combining Guilty of Misdemeanor.*)—Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract, or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (26 Stat. L. 209.)

S2. (*Persons Monopolising Guilty of Misdemeanor.*)—Every person who shall monopolise, or attempt to monopolise, or combine or conspire with any other person or persons to monopolise any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (26 Stat. L. 209.)

S3. (*Trusts, Etc., in Territories or District of Columbia Illegal—Persons Combining Guilty of Misdemeanor.*)—Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any territory of the United States or the District of

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Columbia, or in restraint of trade or commerce between any such territory and another, or between any such territory or territories, and any state or states or the District of Columbia or with foreign nations or between the District of Columbia and any state or states or foreign nations, is hereby declared illegal. Every person who shall make any such contract, or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (26 Stat. L. 209.)

S4. (*Jurisdiction of Courts—Duty of District Attorneys—Procedure—Hearing.*)—The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this Act; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the attorney-general, to institute proceedings in equity to prevent and restrain such violations. Such proceedings may be by way of petition setting forth the case and praying that such violation shall be enjoined or otherwise prohibited. When the parties complained of shall have been duly notified of such petition the court shall proceed, as soon as may be, to the hearing and determination of the case; and pending such petition, and before final decree, the court may at any time make such temporary restraining order or prohibition as shall be deemed just in the premises. (26 Stat. L. 209.)

S5. (*Bringing in Parties.*)—Whenever it shall appear to the court, before which any proceeding under section four of this Act may be pending, that the ends of justice require that other parties shall be brought before the court, the court may cause them to be summoned, whether they reside in the district in which the court is held or not; and subpoenas to that end may be served in any district by the marshal thereof. (26 Stat. L. 210.)

S6. (*Property of Trusts in Transit Forfeited.*)—Any property owned under any contract or by any combination, or pursuant to any conspiracy (and being the subject thereof) mentioned in section one of this Act, and being in the course of transportation from one state to another, or to a foreign country, shall be forfeited to the United States, and may be seized and condemned by like

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proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law. (26 Stat. L. 210.)

S7. (*Damages to Persons Injured—Suits.*)—Any person, who shall be injured in his business or property by any other person or corporation by reason or anything forbidden or declared to be unlawful by this Act, may sue therefor in any circuit court of the United States, in the district in which the defendant resides or is found, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the costs of suit, including a reasonable attorney's fee. (26 Stat. L. 210.)

S8. (*"Person" or "Persons" Defined.*)—That the word "person" or "persons," wherever used in this Act, shall be deemed to include corporations and associations existing under or authorised by the laws of either the United States, the laws of any of the territories, the laws of any state, or the laws of any foreign country. (26 Stat. L. 210.)

(*b*) State Anti-Trust Laws.

Anti-trust legislation is on the statute books of nearly all the States, and in each case the law is very similar. As examples, the anti-trust laws of the States of California and Massachusetts can be summarised as follows:—

State of California Anti-Trust Law.

A trust is a combination of capital, skill or acts by two or more persons, firms, partnerships, corporations, or associations of persons, or of any two or more of them, for either, any or all of the following purposes:—

(1) To create or carry out restrictions in trade or commerce.

(2) To limit or reduce the production, or increase or reduce the price of merchandise or of any commodity.

(3) To prevent competition in manufacturing, making, transportation, sale or purchase of merchandise, produce, or any commodity.

(4) to fix any standard or figure, whereby its price to the public or consumer shall be in any manner controlled or established, any article or commodity of merchandise, produce or commerce intended for sale, barter, use or consumption in this state.

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(5) To make or enter into or execute or carry out any contracts, obligations or agreements of any kind or description, by which they shall bind or have bound themselves not to sell, dispose of or transport, any article or any commodity or any article of trade, use, merchandise, commerce, or consumption below a common standard figure, or fixed value, or by which they shall agree in any manner to keep the price of such article, commodity, or transportation at a fixed or graduated figure, or by which they shall in any manner establish or settle the price of any article, commodity or transportation between them or themselves and others, so as to directly or indirectly preclude a free and unrestricted competition among themselves, or any purchasers or consumers in the sale or transportation of any such article or commodity, or by which they shall agree to pool, combine or directly or indirectly unite any interests that they may have connected with the sale or transportation of any such article or commodity, that its price might in any manner be affected.

Every such trust as is defined herein is declared to be unlawful, against public policy and void.

State of Massachusetts Anti-Trust Law.

Every contract, agreement, arrangement or combination in violation of the common law in that thereby a monopoly in the manufacture, production or sale in this Commonwealth of any article or commodity in common use is or may be created, established or maintained, or in that thereby competition in this State in the supply or price of any such article or commodity is or may be restrained, or prevented, or in that thereby, for the purpose of creating, establishing or maintaining a monopoly within this State of the manufacture, production, or sale of any such article or commodity, the free pursuit in this State of any lawful business, trade or occupation, is or may be restrained or prevented, is hereby declared to be against public policy, illegal and void.

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Wholly Set-up and Printed in Australia by
Varleys Pty. Ltd., and Published by H. L. Wilkinson,
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